

OECD Territorial Reviews

Moravska Trebova-Jevicko, Czech Republic

PREFACE

A territorial review of the Moravská Třebová-Jevíčko micro-region was requested by the Ministry of Regional Development of the Czech Republic out of concern to better understand the linkages between local, regional and national issues in this time of transition [DT/TDPC/RUR(2002)9]. This review investigates the issues at stake in the development of these voluntary entities, that can be characterised as main partners for regions, although they do not correspond to an administrative level. The findings and recommendations of this report apply to the more than 200 such groupings now existing in that country, in a trend coherent with initiatives in other countries concerning local governance, social cohesion and economic development. With a focus on sustainability, the analysis, general conclusions and proposals are thus of interest to many OECD countries pursuing comparable local development policies based on more effective co-ordination between the national, regional and micro-territorial levels.

It has appeared useful for this purpose to present a briefer review fully centred on these preoccupations without offering the same degree of detail than the initial document. Many charts have been taken out if they do not weigh directly on findings and recommendations but were only necessary to illustrate the different steps of this work. Likewise, certain paragraphs have been simplified if detail appeared to be relevant only for certain Czech readers. On the other hand supplementary references to other OECD reviews on the different areas of this report have been added, as compared with those already mentioned in the initial study.

FOREWORD

One of the challenges of globalisation is maintaining a local identity. Such a goal can be pursued to foster economic development and social cohesion rather than simply protect a cultural heritage. It is on this strong asset of local identity that small voluntary groupings of municipalities are emerging in different countries as the most recent manifestation of efforts to associate local government and civil society in jointly defined and implemented development projects. The effective participation of citizens in the shaping and application of cross sectoral strategies, such as those defined in Agenda 21 programs, is one of the pre-conditions for sustainable local economic and social development projects.

An increasing number of countries, particularly within the OECD, are seeking to encourage new approaches to local economic and social development based on voluntary associations of municipalities notwithstanding traditional administrative boundaries. The basis of such new policies is to be found in the understanding that such bottom-up initiatives correspond to new governance practices that facilitate the mobilisation of local actors, both public and private, in view of fostering more sustainable development patterns. These result from the definition and implementation of projects not only by public organisations and major private sector leaders but also by a wider spectrum of citizens representing civil society.

In the Czech Republic, more than 200 voluntary groupings of municipalities founded on a bottom-up approach have emerged since the mid-nineties. The legislative framework authorising such initiatives is very open, with the degree of co-operation between the communes left pretty much to their initiative. Encouraged by national authorities, seeking to remedy in particular the inconveniences of municipal fragmentation, these micro-regional associations appear more and more as the natural partners for the new regions decided in the year 2000 as one of the important steps towards EU accession. For this reason, the issues dealt with in this in-depth study of the Moravská Třebová-Jevíčko micro-region, situated 200 kilometres East of Prague, are to be considered as typical of those facing other micro-regions in the Czech republic

and in other OECD countries. The policy recommendations have been formulated for that purpose with a view to replicability.

These new trends recognise the importance of local identity in furthering economic and social development goals. Municipal associations are thus emerging as micro-regions whereby individual towns of different sizes decide to co-operate for the common good of their citizens and become full-fledged local development partners for other levels of government, whether national or regional. These small entities take their roots in history but with a view to the future: in a global world, new forms of local initiative and affirmation follow the logic of decentralisation that has been developing in all democracies over the last twenty-five years. In transition countries this process is even more remarkable that it follows closely the return to a pluralistic society and a market led economy.

In this respect, the OECD territorial review on the micro-region of Moravská Třebová-Jevíčko in the Czech Republic, carried out at the request of the Ministry of Regional Development, brings forward major local development issues and new practices. The recommendations concern in their essence, not only public organisations and civil society in the Czech Republic but also public and private actors in other countries where similar efforts are being made.

This review is published under the responsibility of the Secretary-General.



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ASSESSMENT AND RECOMMENDATIONS

General context of the Review

The micro-region is a voluntary association of municipalities, ...

This report brings into light an emerging framework, with a new territorial unit for local initiative in the Czech Republic: the micro-region. According to the European nomenclature on territorial units, the country is divided into NUTS II and NUTS III regions, the latter still comprising smaller district units. In 2003, when the district will disappear, no administrative entity will exist any more between municipalities and regions. The micro-region is a *voluntary association of municipalities pursuing common development goals*, which can be characterised as an interface between the local and regional levels, although it holds no administrative responsibilities. The emergence of this level of territorial initiative has been progressive during the years of transition, on the basis of the 1992 Law on municipalities authorising communal co-operation, without specifying detailed conditions for that purpose. A new Act on Municipalities, effective since November 2000, introduced specific rules and regulations for the creation of associations of municipalities in respect of their functions and spheres of co-operation. More recently, the prospect of EU accession, regional reform, delegation of state responsibilities to certain medium size towns and cities have deeply modified the environment in which these micro-regions, now over 200 across the country, are getting organised and promoting their development.

... a mode of governance that seeks to give substance to a sustainable territorial project.

Micro-regions are a spontaneous answer of the main actors and beneficiaries of local development who are assumed to be facing similar difficulties and challenges and find advantages in co-operating in order to foster growth. Common goals and projects reflecting a strong sense of local identity often spur their creation. From this point of view, a micro-region could be defined as *a mode of governance*

seeking to give substance to a sustainable territorial project. Likewise, other OECD countries, such as France or Germany, are encouraging similar initiatives, often referring to Agenda 21 criteria. In this context, the originality of these smaller territorial units resides in the fact that they correspond to a nascent grass-roots mode of governance based on public-private partnerships and participation at the local level. Under what conditions can this response of the local level to new challenges in a globalised world facilitate the incubation of new ideas and innovative projects while ensuring its sustainability? In other words, how will new local development strategies emerge and be implemented?

Local conditions and trends

It is intended to show how to understand the unit of analysis and the level of intervention as a reference.

The Moravská Třebová-Jevíčko (MTJ) micro- region lies on the border between Moravia and Bohemia, about 200 kilometres east of Prague in the Pardubice NUTS III Region. The MTJ association of municipalities was created in 1998 to promote micro-regional development projects while introducing more coherence in infrastructure investment and maintenance. Although the presentation partially reflects the particular circumstances of this region, it is intended to show how to understand the unit of analysis and the level of intervention as a reference. This also corresponds to the request of the Czech Ministry for Regional Development that selected this micro-region, to look at a particular region as a case study rather than to conduct a review of micro-regions across the country, which might have its place in a national review covering regional development more generally.

MTJ does not suffer from a structural condition that cannot be corrected. Its problems are rather typical of many rural areas...

The Moravská Třebová-Jevíčko (MTJ) micro- region is typical of many small rural areas that face serious obstacles linked to demographic and economic trends. MTJ does not suffer from a structural condition that cannot be corrected, such as geographical remoteness or the environmental consequences of an abandoned activity like mining. Its problems are rather more typical of many rural areas not only in countries of transition but across the OECD. These are often linked to inaccessibility due to infrastructure

deficiencies, a lack of entrepreneurship or a mismatch between local labour demand and the skills of the population. Other characteristics are a sectoral approach to economic activity, including agriculture, which prevents local networks and clusters from developing, a service sector that is too limited and small, and a lack of support services. Thus identifying and understanding the strengths and weaknesses of the area, and especially existing and hidden assets and opportunities, is inseparable from questions bearing directly on local living conditions and day-to-day concerns of inhabitants.

... a low population density, but an over-average unemployment rate with a lower GDP per capita.

Of the 28 000 inhabitants in MTJ, 11 700 live in the main town, Moravská Třebová, 2 800 live in Jevíčko, and the rest in 31 smaller communities. The population density (67 inhabitants per sq. km.) is one of the lowest in the Czech Republic. The unemployment rate of 11.3 per cent at the beginning of 2001 is higher by about one-third than the national or regional averages. It is estimated that GDP in the micro-region is slightly more than 70 per cent of the national average, and is lower than that of the Pardubice Region itself (which is close to 88%). More particularly, agriculture and manufacturing are over-represented as compared to national averages. The value-added in agriculture, moreover, is low. The micro-region has a good local infrastructure, but lacks adequate connections to the national transportation system. Many job vacancies go unfilled due to a lack of qualified workers, and the educational system is not adapted to meet the current and anticipated demand for jobs.

Economic diversification plays a subordinate role and there is an insufficient dissemination of strategic information.

National policies and programmes have followed a sectoral approach in agriculture, where activities such as food processing are under-developed and the region's natural attractiveness is not fully recognised as an amenity. Economic diversification and multi-functionality therefore play a subordinate role in the region's rural areas. In general, there is a lack of information about services and programmes available outside the micro-region that could be applied or developed to help new firms and especially to increase their management capacities. Mentoring programmes for new and potential entrepreneurs are needed. The Local Labour Office based in Svitavy, with a presence in Moravská Třebová itself, has been able to train and place many hundreds of local

people in jobs. On the other hand it does not have all the information needed to identify skills for which there is strong demand. Young people still in school should be better informed about the expectations of employers and of the opportunities for life-long learning.

An overall assessment of unmet current and future needs has yet to be compiled.

Given that the Local Labour Office expended almost one third of its budget on active labour market policies in MTJ, the future relations between the office and MTJ will have a significant impact. In general the willingness of trained professionals in education, social services and health to live and work in the micro-region is affected by living conditions and availability of services. The latter represent a limited share of the local economy. Housing policies focus more on assistance to builders than on owner-occupiers and tenants who want to upgrade and improve their place of residence. Assistance to restore and maintain key cultural landmarks, including public spaces in Moravská Třebová, has been given, with results that have enhanced the attractiveness of towns. On the other hand, an overall assessment of unmet current and future needs has yet to be compiled. Without such an analysis, it is not possible to know how far along a trajectory of developing its assets MTJ has come.

The micro-region has many of the elements needed for sustainable development. It seems to be missing an overall view of connections between key elements.

The key to success in rural development is often related to the well being of small and medium size towns, local networks, and connectivity outside the local region. All of these factors are interdependent and essential to enhance education and social services as well as promote growth of the service sector. The MTJ area may not have any unique asset that is under-valued to exploit. What distinguishes it is *the balance of urban and rural elements within it, as well as the diversity of economic activities, the range of social services and the scope of educational institutions.* MTJ has many of the elements needed for sustainable development -- including viable small and medium towns, and a mix of agricultural, industrial and service sector activities, which can form the basis for a development strategy. What seems to be missing is an overall view of the inter-connections among the infrastructures and sectors and their links to available government programmes, a view that this study tries to provide. The region needs an overall plan to correct

its deficiencies in infrastructure, training and education as well as services that is shaped by a vision of its future.

Conditions for the success of a well development plan exist.

There are sound reasons to believe that the conditions for the success of a well-defined development plan exist. Labour costs are low and the area has successfully attracted foreign investment. Many local firms serve larger regional or national markets. Several enterprises in the metal and textile sectors have restructured. A local software company has established a national and international presence. There is an adequate supply of low-cost land and conditions for farming are good. In addition, improvements in secondary education are being made. Lastly, several of the cultural and natural features of the micro-region have been restored. The main towns, which are complementary, provide the services around which the rest of the region can be organised. Although MTJ does not correspond to an administrative unit in the country, it has the potential and competency to promote its economic and social well-being.

Policy Recommendations

Infrastructure and SMEs

It is critical to improve infrastructures and to set up an information centre for SMEs.

In the short term a priority should be given to improving the highway infrastructure connecting MTJ to the national transport network. This is critical if the region is to attract more processing, manufacturing and distribution firms which can serve wider regional and national markets, building on its existing strengths in manufacturing and diversifying agriculture and the service sector. In due course this will help create opportunities for local entrepreneurs, and will provide a basis for the further enlargement of the service sector, including business-to-business services. This OECD report therefore recommends setting up a small-scale but highly visible local information centre for SMEs by promoting the use of ICT and encouraging more involvement of SMEs in active labour market programmes. Exploiting the potential of ICT will enhance connections between the region's firms to other networks of information and could engage more enterprises and agencies at the regional level in

a dialogue with national authorities about the needs of the micro-region. In addition it is recommended studying the possibility of setting up a local micro credit or mutual guarantee programme and to run a small-scale youth enterprise programme.

Labour market policies and education

More efficient co-ordination is needed between national authorities, local offices and civil society.

Specific recommendations concerning the labour market call for in-depth analysis of local conditions and trends, including information on employer skill requirements, and on the characteristics of unemployed people. This information will help improve the efficiency of measures for training and public work schemes, and for counselling methods. SMEs and larger firms need to be better linked to labour market information and services, and to the institutions providing job training and education. With sustained improvements in education and public services to develop human capital and the capacity of local government, MTJ should be able to retain firms that are already based in the micro-region and to spark the creation of SMEs. The co-ordination between current and future employment needs and education at the secondary and tertiary levels is not a local responsibility, and may require adjustments through national levels to adapt course offerings and improve the incentives for qualified teachers to come to and remain in MTJ. This calls attention to the need for more efficient cross-sector co-ordination between national ministries or their regional departments but this issue is beyond the scope of the present study.

Agricultural sector

A better mobilisation on existing programmes for agriculture is needed.

The prospects for a start-up enterprise centre for food production and processing should be investigated. Such suggestions as new marketing associations, better qualification and extension programmes to meet EU standards and procedures, assessing the possibilities for a joint marketing strategy and for the development of multi-functionality with opportunities for economic diversification call attention to the need for information and

outreach. This means reaching horizontally among potential partners and service providers as well as vertically, to include national organisations and the Ministry of Agriculture. This is all the more necessary that most financial tools and programmes already exist (Agricultural Development Plan, Rural Renewal Program) but they need to be better mobilised.

Tourism and an information and marketing strategy

The lack of an information and communication strategy is more acute in the field of tourism.

The need for an information and communication strategy is even more acute in relation to the development of tourism, which itself has strong cross-sector potential and identified links to the labour market and entrepreneurship. Expansion and upgrading of facilities, job training, improvement of local amenities and networks, environmental improvements, protection and valorisation of natural and cultural heritage, all call for better information about financial sources and potential markets. This requires a fully unified approach to the preparation and diffusion of information about the micro-region. Such an approach needs to be based on a precise assessment of the tourism potential of the micro-region so as to define and implement a strategic tourism development plan. One of the main components of such a plan would be targeted marketing and promotional efforts.

Governance issues

Efforts should be developed to put information and communication at the centre of a community based strategy reinforcing the role of the micro-region and making better use of local firms and talents.

Efforts should be developed in order to put information and communication at the centre of a community-based strategy to reinforce the role of the association of municipalities and to make better use of local firms and talent. An overall effort to make people more aware of and committed to a strategy for the micro-region will help build confidence, and will be an important tool in any strategic plan to attract investment. On one hand there is a strong local sense of identity, but on the other, a weak sense of collective responsibility for the future. The micro-region presently lacks the means to do much more than it is already doing. An information and communications

strategy linked to valorising specific local assets and enhancing opportunities will help engage the support of the NUTS II and III Regions and the national government, and in due course, of the European Union. Many structural reforms in the Czech Republic, including privatisation and regulatory reform, have tried to put in place framework conditions which enable economic actors to take initiatives with fewer delays and at lower cost. Economic reforms must take account of the societal and institutional context within which they will have an impact.

National and regional policies should be co-ordinated with partnership-based actors.

The preparation of a society to function in a changing and more open global economy is however also taking place at the same time as the democratic institutions of the country are being adjusted. This process is pursued not only to find a more efficient scale for local and regional administration, but also to give municipalities and regions more autonomy in developing and implementing development plans. Measures to reinforce participation at the local and regional level, to promote an environment in which people are more willing to accept risk and take initiative, are therefore inseparable from other initiatives at the national level for economic reform. *Attention should be given to the convergence between the design and implementation of national policies for regional development and a new national structure for the regions on one hand, and the emergence at the local level, as MTJ illustrates, of new voluntary, partnership-based actors in the development process.*

Nonetheless, major changes will take time and strategic long term planning with national and regional support will still be important.

Micro-regions in rural areas can be successful, but the results of strategic planning and local initiatives, supported by regional, national and European institutions, will not necessarily always be visible on the short term. Tangible and precocious signs of renewal can thus play an important role in building confidence and generating local initiatives. After many years of restructuring and renewal, there are such signs visible in the micro-region. But it will take more time before the identity of the micro-region is vibrant and confidence assured. A pro-active approach, which involves regional and national measures, should not be considered as a substitute for the local level, but rather as a way of initiating and encouraging a process that could then

be nurtured by local institutions and civil society. Such a process could rest on major guidelines to value and enhance existing assets and to exploit the potential to add new ones. These would bring together a sense of tradition, innovation and commitment among citizens fully associated to the definition and implementation of local strategies.

Guidelines for sustainable development must be publicised in a micro regional charter, ...

The way forward often begins with the development of a vision of the future. To ensure participation of and appropriation by civil society of the development process, a *consultative body* should be constituted to give guidance to the association of municipalities of MTJ and to monitor progress on the implementation of a strategic plan for the micro-region. A *charter for local development*, stating goals, priorities and methods, could usefully be elaborated. The association of municipalities remains modest, and lacks a permanent, dedicated full-time staff. The association does not have at its disposal the resources corresponding to its potential. Local, regional and national governments will need to reinforce the resources available to micro-regions to help them define and implement their strategy, especially now that the larger municipalities in the micro-region will have to take on some of the roles previously held at the district level. This will involve increasing the size and upgrading the knowledge base of permanent staff. In the final analysis, micro-regions must be perceived as trustworthy and indispensable partners for the regional development agencies.

...those guidelines could result from exchanges at the national level and/or be discussed at the regional level between the different micro-regions.

Although the funding for and fiscal autonomy of the regional level is still uncertain, the full representation of associations of municipalities in regional development agencies should be considered. At the same time, however, the national government's policies in matters such as health, education, transport and agriculture should be assessed for their impact on the micro-region. Decisions made centrally, such as where to begin construction of the upgraded east-west highway, which will pass close to MTJ, for example, or about the staffing and curriculum offerings in the secondary and vocational schools, may make a big difference locally. Many OECD countries are increasingly aware of the need to take account *ex ante* of the implicit positive and negative territorial impacts of various sectoral policies.

Finally, national and regional policy frameworks to help micro-regions identify their assets and opportunities, develop strategic plans and set priorities should be considered in the general context of the further elaboration of new guidelines for decentralisation and regional policy.

Micro-regions have an important role to play in organising the use of human and natural resources...

Regional development is a mosaic of many parts, and in the Czech Republic micro-regions have a role to play in organising the human and natural resources of areas with a specific identity and common purpose. Small and medium size towns serve as critical nodes in the networks linking the population of the region to the employment opportunities and services they need, but these towns in turn depend upon the availability of services from the national and regional level, and on the connections that make the region accessible, which today are a problem. In particular, the climate for new business and for investment should become more favourable as links between labour market services, education and the private sector are improved. National and even regional policies and programmes for overall regional development rarely focus on the needs and challenges of such areas, which have to compete for attention, investment and resources within their regions at NUTS II and III levels, and within the country.

...but their actions will be fully efficient only with the availability of information on policies and co-operation between levels of government.

Moreover, the availability of information on policies at all levels of government is insufficient. Co-ordinated efforts to improve the dissemination and circulation of information, on the basis of a veritable communications strategy, will lift the capacity for local initiative and strengthen the links with regional and national development policies. The development plans of the regions and national policies for regional growth should take better account of the range of problems and opportunities that exist across the Czech Republic. If conditions at the level of micro-regions can be improved, regions as a whole would benefit from their evolution. The emergence of a new actor in the form of the local association of municipalities is a vital sign that local areas are developing the capacity to take greater responsibility for their future, and such a positive trend should be encouraged by national policy.

INTRODUCTION

The Ministry of Regional Development and the Ministry of Labour and Social Affairs of the Czech Republic have requested the Territorial Development Service (TDS) of the Organisation for Economic Co-operation and Development to carry out a territorial review of the micro-region of Moravská Třebová-Jevíčko (MTJ). This area is situated in the Svitavy District (Pardubice Region), approximately 200 kilometres East of Prague. The micro-region comprises 33 municipalities and close to 28 000 inhabitants in a territory of slightly more than 400 sq. kms, with a population density (67) that is one of the lowest in the country. Main economic indicators characterise the micro-region as an area with an agricultural sector that remains more important than in many other parts of the Czech Republic and a declining industrial base, still mostly represented by traditional sectors such as textiles. The unemployment rate is higher than national and regional averages (12.3% at the end of 2001) but beneath that of structurally weak heavy industry regions. The SME sector is little developed.

This territorial review is accomplished as an analysis of a micro-region, chosen as an example among around 200 such voluntary groupings of municipalities in the Czech Republic, so as to identify issues, illustrate challenges and put forward recommendations to promote the economic and social well-being of these small territories. In requesting the OECD to proceed with such a report, Czech authorities are fully coherent with important world-wide trends emphasising the emergence of such associations of municipalities, often transcending traditional administrative limits, to encompass communities with a view to pursue common development strategies.

In the Czech Republic, the creation of micro-regions, as associations of communes, first started under the aegis of the 1992 municipal law which did not specifically mention or take into account this category of groupings. Micro-regions, diverse in size and goals pursued, thus appeared. The new Act on Municipalities, effective since November 2000, introduced specific rules and regulations for the creation of associations of municipalities concerning their functioning and spheres of co-operation but these are not necessarily based on considerations linked to territory. The law determines objectives in very

general terms: membership is authorised for municipalities *"for the purpose of protecting and promoting their common interests"*. With such a wide definition, the scope and depth of co-operation between municipalities having founded an association at the level of a micro-region is pretty much left to the initiative of its members. The creation of micro-regions by municipalities in a given area responds to the need for common approaches and solutions to issues that cannot be devised without co-operation between communes. This is the case not only for basic infrastructure and spatial planning but also for new areas like tourism.

In the case of the Czech Republic, the creation of micro-regions, encouraged by the national government, is taking place in a context of major changes relating primarily to EU accession. An important regional reform, that will see the disappearance of districts following the creation of regions at the NUTS II and III¹ levels, is presently under way. In parallel to this, the state government is transferring certain responsibilities not only to the new regions but also to a selected number of large and medium size municipalities designated to ensure services in a wider area. This last category of transfers seeks to remedy municipal fragmentation: there are around 6 200 communes in the country and although those with less than 200 inhabitants only comprise 2 per cent of the population, they represent 27 per cent of the total number of communities.

The key issues under consideration in this territorial review are thus the following:

- Under what conditions can a voluntary grouping of municipalities of this type carry out a comprehensive development strategy successfully?
- What economic and spatial strategies based on specific local assets are likely to increase employment and investment opportunities in the micro-region?
- What are, particularly in terms of governance, the pre-requisites to an efficient co-operation between its members, with civil society, the private sector as well as with national and regional authorities?
- Which measures rest more specifically on the regional and local level and which reforms at the national level would facilitate such a process in different micro-regions?

- How can the regional reform now being implemented in the Czech Republic as one of the steps towards EU accession contribute to a balanced development of each region's territory?
- Which strategies and best practices could be considered as replicable in other parts of the Czech Republic?

One of the main challenges of this report stems from its necessarily multi-level approach to most policy areas and issues. Presenting a full view of things from three levels of government appeared necessary so that the report could be directly consulted and used by all public officials concerned. This holistic approach deliberately takes into account the existence of different perspectives and preoccupations. What can be accomplished through a combination of local initiative and national policies that will lift performance in MTJ and create options for the future, thereby making the micro-region more sustainable? The dialogue engaged with local government thus brought forward the conditions of everyday life in the MTJ micro-region. To identify and understand the strengths and weaknesses of the area, existing and hidden assets and opportunities to be seized within a development strategy, was inseparable from questions bearing directly on local living conditions and day to day concerns of inhabitants.

In the preparation of this report a balance has been sought from this point of view between too high a level of analysis and recommendations, with important concerns and data that would have been lost for local government, and too much detail that would have focused this study mostly on local preoccupations. This review on one very small area, therefore, has potentially much wider significance, to show how other economically weak regions can be analysed, to elaborate strategies designed for their development, and to indicate what some of the implications might be for policy at the national and regional levels. Even if the problems and challenges of local development are specific to individual municipalities and their groupings there are strong links with national policies and regional concerns. This report, in particular, seeks to bring forward the issues arising from proper co-ordination and identification of responsibility with respect to levels of competence.

Addressing micro-regional development matters, this review, on the other hand cannot be considered as a substitute for further analysis of national development policies and regional strategies at the NUTS II and III levels. These rest upon a specific focus on Sector Operation Programmes (SOPs) and Regional Operation Programmes (ROPs) within the framework of the National Development Plan (NDP) in the context of EU accession and European regional policy instruments. In other terms, this micro-regional review is an important

element of a wider context that includes other essential components. To address these from a national and regional perspective would require a distinct analysis.

In this time of transition for the Czech Republic, with major reforms being conducted in many policy areas with a view to EU accession, local, regional and national issues appear closely linked, with mutual impacts that are to be felt more intensely in the future. Successful policies at each level appear necessary for the achievements of the whole. In particular, local development policies within voluntary groupings such as micro-regions will determine the performance of individual regions, which will themselves carry a major responsibility to support these in their efforts within the framework of their own strategies. Likewise, each individual region's development will be pursued within the context of evolving policies now being finalised. Proper channelling of EU structural funds will depend on efficient co-operation of these three levels of decision. These inter-relating links explain why matters of micro-regional organisation and functioning can be of concern not only to regions and such associations but also for national government.

With this perspective, this report is organised in six main chapters addressing the various issues of rural development at the local level. In a first stage, recent policy developments in OECD countries from this point of view are presented in chapter one, referring in particular to strategies of economic development and diversification with a view to sustainability. The main characteristics of the MTJ micro-region (heritage, society, economy, infrastructure) are identified in chapter two, in terms of a wider area context taking into account similar groupings in the vicinity. Local government issues and budgetary resources and expenditures are analysed in chapter three with due reference to national trends in this field. Economic and social policies applied within the territory of the micro-region are the object of chapter four, measuring to begin with the evolution of the association itself and analysing the impact of regional reform. Recommendations in four major policy sectors (labour market, entrepreneurship, agriculture and rural development, tourism) are made in chapter five. Proposals in the field of governance, with scenarios indicating conditions and pitfalls towards achieving sustainable development, finalise this report with chapter six.

Methodology of the report

Proceeding with a sub regional territorial review of this type required three different levels of information: national policies, regional evolution with initial implementation of the reform and local strategies. Information supplied for this purpose consisted of the Background Report ("Revitalisation of the

Moravská Třebová Micro-Region") prepared by experts² from the Faculty of Economic and Social Affairs of the Pardubice University, released in December 2000 and completed in April 2001. The "Strategic Plan of Development of the Moravská Třebová-Jevíčko Micro-Region" elaborated by the consulting firm DHV CR in December 1999 was also supplied. Information on national policies and regional perspectives was primarily submitted by the Ministry for Regional Development. Most national policy tools are available on the Internet, with English translations usually providing relatively detailed summaries. Concerning EU accession, up to date accurate information is accessible on the Internet also³. Besides these basic documents, information and data used by OECD for this review consisted of statistics obtained at the regional and district levels as well as detailed answers to lists of questions regularly prepared either for national authorities or for those of the micro-region.

This on-going dialogue was initiated at the beginning of 2001 when a first OECD mission to Prague concerning practical steps to be followed for the implementation of the report took place. Successive missions were organised in March, May, June and November. Three of these missions allowed visits to Pardubice, Svitavy and the micro-region with, in particular, working sessions organised with local authorities representing the micro-region or individual municipalities such as the mayors of Moravská Třebová and Jevíčko. The mission that took place end of May-beginning of June comprised three experts acting as consultants in the fields of agriculture and rural development in economic transition countries, labour market and SME policies, and also rural transportation matters. Specific expertise in the field of tourism development was provided by one of the OECD team members. The last mission, organised at the beginning of November at the request of OECD permitted to gather very useful up-dated information and data concerning regional and local developments and policies and to investigate more in depth issues relative to governance.

NOTES

1. NUTS: "Nomenclature des Unités Territoriales Statistiques" (Nomenclature of Statistical Territorial Units). NUTS I corresponds to country level, NUTS II and III correspond to the highest sub-national territorial units. The NUTS II level is that of EU regional policy.
2. Doc. Ing. Eduard Soucek and Ing. Vaclav Jezdik.
3. "Regular report on the Czech Republic's progress towards accession"
www.europa.eu.int/comm/enlargement/report2001

CHAPTER 1

TRENDS AND TERRITORIAL POLICY CHALLENGES IN RURAL REGIONS

Introduction

Territorial development policy covers all actions taken by the central government to promote the balanced growth of the territorial units that make up a country. It seeks to foster country-wide growth, and to reduce the most glaring inequalities between regions. The aim is to give every part of the country an equal chance to develop, on the understanding that development will not be uniform, but specific to each area, in keeping with its assets, competitive advantages and potential (or its territorial capital). Therefore territorial development policy cannot be applied uniformly, without regard to the size of a country or the variations within it, as is the case however with macroeconomic policy. It is based on three guidelines: first, development should be endogenous; second, development should be sustainable; and third, efficient governance should facilitate policy implementation.

The point of departure for territorial development is therefore a better understanding of how economic, technological, social, political and spatial changes are affecting rural and urban areas. The OECD's regional typology differentiates among predominantly rural regions, where more than 50 per cent of the population lives at a density of less than 150 inhabitants per sq. km (or 500 inhabitants per sq. km in Japan), intermediate regions, where between 15 and 50 per cent of the population live at such a low density, and predominantly urban regions, characterised by fewer than 15 per cent of the population at low density. Rural regions in OECD Member countries are no longer predominantly agricultural. Indeed, the spatial model based on the specialisation of urban areas in manufacturing and services, and of rural areas in agriculture, has broken down. Moreover, the traditional notion of a city and its hinterland no longer apply so obviously at a time when long-distance transport and communications have overcome many of the constraints which limited movement in the past.

In the Czech Republic as a whole, 15 per cent of the population lives in predominantly rural regions, 57 per cent in intermediate regions, and 28 per cent in predominantly urban regions. The micro-region of Moravská Třebová Jevíčko, which is the subject of this report, is in the Svitavy District (NUTS IV level) of Pardubice Region in the Czech Republic (NUTS III level), which had a population of 102 495 in 1999. The district has one of the highest birth rates in the Czech Republic, but ranks low in population density, at 77 people per square kilometre (the average in the Pardubice Region is 183). The Moravská Třebová Jevíčko micro-region had 27 936 inhabitants in 1998 and a very low density of population with 67 inhabitants per square kilometre (falling to 58 in Jevíčko). Consistent with findings in other countries, although the largest land use category of the Moravská Třebová Jevíčko micro-region is agricultural, the largest category of employment is in manufacturing. Not surprisingly, small and medium size towns play a vital role in rural areas: more than 50 per cent of the people live in towns: 11 702 in Moravská Třebová, and 2 801 in Jevíčko.

The Moravská Třebová-Jevíčko micro-region has symptoms of stagnation and is falling behind other areas in the Czech Republic, but it is not alone: of the 22 micro-regions in the Pardubice region, one third are considered to be problematic to some extent; in the Czech Republic as a whole, the number is over 200. Although it is a rural region, Moravská Třebová-Jevíčko shares an emphasis on industrial employment with many intermediate regions.

Rural policy issues

Before looking at the micro-region in greater detail, an overview of trends and issues relating to rural regions and to small and medium size towns in OECD Member countries is appropriate. (See "Regional Reviews: Main Findings and Issues", [DT/TDPC(99)13])

All types of regions face change, and perhaps the greatest challenge is to prepare themselves better to cope with it. Rural areas, in general, still face particular difficulties in comparison to urban and even intermediate areas. With the exceptions of Canada and Portugal, where the average unemployment rate in rural regions declined and disparities between rural regions narrowed, the situation of rural regions in decline tends to worsen over time. In many rural areas, residents still cannot expect to enjoy the same quality of life, in terms of access to services, as their counterparts in large cities.

- Even if farming is still an important factor shaping rural areas, employment opportunities in this sector are declining. (The same can be said of manufacturing).

- A lack of employment opportunities and inadequate access to educational facilities mean that such areas may not be able to attract or hold on to enough young people with advanced skills or an interest in entrepreneurship.
- Finally, most rural areas have difficulty establishing the necessary critical mass of facilities, producer services and investments to support economic development.

This limited range of options in an economy insufficiently diversified can lead to difficult choices because the maintenance of the ecological balance and natural heritage involves costs, whereas opportunities for economic development may put pressure on agricultural land and the landscape.

Policymakers at all levels face the challenge to maintain or even enhance the rural character of such regions while strengthening their social and economic foundations. Analysis of major trends which affect nearly all rural areas in OECD countries suggests that the following set of inter-connected changes are of general importance in defining both the constraints as well as the opportunities they face:

- Demographic and labour market changes, including the decline in agricultural employment and the growth in the service and manufacturing sectors; a growth in female employment, casualisation, part-time employment; frequently high unemployment; the ageing of the population and increasing dependency ratios;
- Globalisation processes, including restructuring of many key elements in the economy and their exposure to increased competition; the end of the Cold War and the transition of formerly controlled economies; increasing efforts to internationalise the terms under which trade takes place and to remove barriers to trade, including most notably production subsidies;
- Reassessment of the role of the state, involving de-regulation, re-regulation (at different levels and involving different processes), privatisation of formerly state-owned or regulated activities; the search for new forms of governance which do not rely on heavy state intervention and a top-down approach by a bureaucratic elite but rather more popular participation, often mobilised through local and regional partnerships, and greater

reliance on private entrepreneurship and public initiative and innovation;

- The introduction and spread of new technologies, especially information and communication technologies (ICT);
- New demands on rural space arising from urban sprawl, long-distance commuting, migration, tourism and recreation, and the emergence of new consumption related uses for rural space and new societal demands concerning the environment and the landscape, and the development of environmentalism as a powerful ethic and political force;
- Emergence of new winners and losers from change processes, and especially the appearance and recognition of excluded groups suffering from poverty or other forms of deprivation.

Although the forces driving change may be similar across rural (and indeed urban) areas, their relative importance and their consequences will differ from one rural area to another due to internal factors such as resource endowments and access to these, distance from markets, educational levels, institutional performance, cultures and history. Both external and internal factors are thus important when explaining the diversity of rural areas and differences in economic performance among them.

Rural development strategies

The rationale for a territorial approach includes several points, of which the following are the most common:

- The interests of the majority or rural citizens, and even most farm families, are no longer best served by sectoral policies (if they ever were) since employment and income generated in rural areas are derived from a complex mix of interacting economic activities;
- Rural areas face a period of intense social and economic change and need help to adjust to new conditions, given that many rural areas still suffer from relatively low incomes, high unemployment and under employment, low level of qualification required most jobs, low quality services, and outward migration of young people, all of which raise issues of equity and social cohesion within and between countries;

- Rural areas can often contribute to the quality of life of society as a whole because they contain important public or quasi-public goods such as a clean environment, attractive landscapes and cultural heritage, and relatively socially integrated and safe communities, for which it is difficult or impossible to define and quantify the relevant values in market terms;
- Sustainable development as an overriding policy goal for territorial policy means that people are the subjects rather than the objects of development; that the scope of development should be holistic; that the scale should be local, both to enable the engagement of people and to reflect the diversity of their needs and aspirations.

In the past, public policies have tended to focus on rural areas *en bloc*, treating them as homogenous, as if their problems and development opportunities were similar. Such an approach does not reflect the reality of diversity among rural areas or the intensity of rural-urban interaction. Rural policy has evolved in the past two decades. Key elements of the new approaches have been:

- A focus on trying to improve the “competitiveness” of rural areas, and hence to understand their diversity of rural areas and key elements which differentiate those which appear to be ‘performing’ well from those which are not;
- Attempts to divert resources from programmes which focused on maintaining existing rural activities through subsidies toward programmes geared on support for investment in human and social capital, diversification of economic activity and the related creation of new enterprises, environmental improvements, provision of infrastructure, and innovation.
- Efforts to improve central co-ordination of policies among several ministries affecting rural areas, including ‘policy proofing’ to ensure policy coherence;
- Attempts to create more flexible arrangements for central support of rural development, often through devolved powers to prioritise measures and spending and through provision of ‘global’ programme grants that are better adapted to the diverse and varying needs of rural areas;

- Efforts to create new institutional arrangements at local and regional levels to define policy objectives, priorities and strategies, and to implement them at these levels, as well as to involve both government and non-government actors in ways which draw on local and regional knowledge and resources, increase public participation, and integrate and co-ordinate activities;
- Efforts to build local capacities to act through leadership and community development programmes.

These and other new policy approaches to rural development seek to identify the key determinants of rural performance in different types of rural areas; ways to create synergy between economic, social and environmental policies; ways to overcome the obstacles to better policy co-ordination at the central level; and how programmes that are more flexible and responsive to local priorities and needs can be implemented.

Rural development strategies being introduced by Member governments are based on a multi-sectoral, spatially-oriented and global approach to the rural economy, one which takes account of the *interdependence* of its components. Active labour market policies, the creation of new market opportunities, land use management, the protection of the environment, improvements to the quality of life, and human capital issues have joined the more traditional issues of the provision of services and infrastructures. It is assumed that in these areas, public investments are necessary (but not sufficient) to capitalise on emerging development opportunities. Specific measures are needed to bring out the endogenous development and entrepreneurship capacities latent in rural areas. This has led to efforts to replace large-scale subsidies programmes with a more selective approach using packages of co-ordinated programmes focused on the development of the economic and social tissue of insufficiently developed rural regions. Over-specialisation in mining or agriculture, for example, or in traditional manufacturing, may make a region vulnerable; the shift toward the service sector may lead to greater specialisation of a different kind, for example, to develop a strong tourist industry. Without regard to the specific assets and needs of a particular area, the main fields of policy attention include:

- *Strengthening transport, telecommunications and business infrastructures* to link rural regions and national and international markets and help improve their competitiveness, and to fill existing gaps in respect of specific skills, amenities and entrepreneurship capacities;

- *Developing human resources* by improving the quality of education, facilitating the transition from school to work, and improving managerial skills, strengthening active labour market policies through measures to help job placement, support business start-ups, and in general match skills with the needs of firms;
- *Improving the economic environment of all businesses* (rather than supporting individual enterprises), especially when the most rudimentary business services are often missing;
- *Maintaining access to basic services* to ensure a sufficient standard of living for the population in areas such as health, education and utilities;
- *Enhancing amenities with the objective of sustainable development* by valorising the existing stock of natural and man-made assets which help to define a local identity, and by increasing that stock through cultural activities, rural tourism and the multi-functionality of agriculture.
- *Reinforcing social capital* which is probably a decisive factor in development, albeit the least tangible as well. The importance of social capital does not seem to diminish as economic development proceeds. From a policy point of view, it is not clear whether and how social capital should be promoted by public intervention, given the lack of empirical evidence in this field.

Innovative programmes which focus on support for investment in human and social capital, diversification of economic activity, the creation of new enterprises, the environment, and key infrastructures may lead to innovative forms of policy implementation. More flexible arrangements for central support of rural development may be needed as well as improved central co-ordination of policies affecting rural areas. Sometimes new institutional arrangements are needed at local and regional levels to define policy objectives, priorities and strategies, and to implement policies by drawing on local and regional knowledge. Increased participation of local people means building local capacities to act through leadership and community development programmes. It would however be unrealistic for central governments to tailor policies to each region given the complexity of implementing procedures and very high co-ordination costs. Equally, local areas cannot be totally responsible for policies because they lack the proper size and many of the resources. To take account of regional types and needs, a middle course can target specific

policies and a mix of top-down and bottom-up initiatives and of public-private partnerships. Better cross-sectoral co-ordination and the growing power of supranational policy and institutions only further enhance the importance of governance issues in the implementation of rural development strategies.

Small and medium towns in rural development

The dynamics of change in rural regions highlight the important role played by small and medium towns in population and employment trends. Even the most rural regions are involved in a functional system that includes urban areas. Small and medium-size towns play a critical role in diversifying economic activities in rural areas, especially given the decline of employment in agriculture and the growing importance of the service sector, including the producer services and facilities needed to support economic development and entrepreneurship. The services and job opportunities available in small and medium towns will help retain young people and can help meet the needs of an ageing population more efficiently.

In many cases, the definitions of separate urban-rural forms, functions and societies have become obsolete. *The crucial unit of analysis and intervention is not the small municipality, but the functional region defined in terms of a local labour market or commuting area.* The urban settlement pattern within rural regions and the accessibility of these regions to other regions, are often critical variables in their ability to increase employment and incomes. This means not only that policies for rural development are not the same as policies for agriculture, but also that policies should reflect the diversity among rural areas and variations in the intensity of rural-urban interaction.

While in many OECD Member countries, some rural areas continue to experience out-migration, other rural areas have remained stable or seen a net population increase. The development of small and medium-size towns in rural and intermediate regions helps to alleviate pressure in metropolitan areas, but it is not without difficulties insofar as it increases the demand for infrastructures for essential services and transport, gives rise to land-use pressures in respect of agricultural land and rural landscapes, and may in some places increase the exposure of people to natural disasters (e.g., housing in places susceptible to flooding, avalanches, etc.). Although many factors are no doubt involved, lifestyle preferences appear to be an important factor explaining the growth of small and medium size towns in rural areas, where there can be a mix of agriculture, industry and services. Regions in which these networks of towns are found are often quite competitive on the national and global markets.

But it must be emphasised that the growth of small and medium size towns is usually not the result of specific policy action. *A good part of the explanation for their growth can be found in more intangible factors such as organisational ability, entrepreneurial spirit, regional identity and participation, the quality of the social fabric, or the attractiveness of the natural and built environment.* Admittedly, these factors are difficult to analyse. Nevertheless, the basic economic characteristics of an area -- the match between local skills and business activities, the functioning of the local job market, the quality of the business environment, etc. -- are a crucial determinant of its overall economic performance and help to identify its potential.

The diversification of rural economies

The diversification of rural economies appears to be heavily dependent on particular kinds of services, notably those linked to the public sector. Small and medium size towns tend toward a greater degree of specialisation than large metropolitan areas. In some countries, because the concentration of manufacturing in a town increases as population decreases, the proportion of the labour force in the service sector may be an indicator of the diversification of an economy, and perhaps of the self-sufficiency of the town as well. Public services play an important role, and indeed have often been the *raison d'être* of many small rural towns which serve surrounding areas. The restructuring of the public sector therefore may have a depressing effect on the growth of employment in small and medium towns. Although in most cases, employment growth is most likely to come in the service sector, there are important exceptions where producer services account for a growing share of employment. The modest presence of producer services in non-metropolitan areas is frequently due to low demand given the modest number of enterprises which could generate spin-off opportunities for new services. In Italy and Germany there are however specialised manufacturing towns and local industrial districts where producer services are growing rapidly.

The list of factors for successful development of a small or medium town in a rural region would be lengthy, and by definition, incomplete. Such a list would include: a dense local market; a qualified labour force; well-developed transport and communication infrastructure; good access to public services; the availability of land for development; good schools; affordable housing in good condition; high environmental qualities, etc. It is impractical to focus on all the elements that constitute the attractiveness of a town. Consequently, the main emphasis should not necessarily be on finding the optimal combination of resources, but rather *on the identification of the processes that allow these resources to be utilised most fully.* Two of the most

important underlying “processes” are *economies of agglomeration*, which help a local economy to develop and determine its size, and *economies of place*, which determine whether a small town is the hub of a regional economy or forms part of a more complex system of settlements. A third concerns sustainability, and in particular, the ability of a place to meet the needs of all residents and to address problems, especially in the environment, in a pro-active manner.

The external economies which follow from the concentration of the production of goods and services in a particular location include: a high level of specialisation and division of labour among a large number of economic units that share input-output relationships; low transaction costs among specialised units that share face-to-face relationships; a skilled and specialised local labour market where an endowment of skills is embedded through historical processes and nurtured by formal and on-the-job training; the establishment of innovative practices and design changes favoured by easy communication among the local population. It is obvious that small and medium size towns cannot offer a full range of services; they are interdependent with other, larger cities and wider networks. Specialisation is a tremendous opportunity for towns to highlight their unique comparative advantages, but it can increase the vulnerability of their economies to technological change and economic cycles. Therefore specialisation has to be combined with networking to foster coherent and continual development: the creation of dynamic firms supporting innovative local industries or services, enhancing marketing and improving communication, and better qualifying in human capital. Increasingly, there is a role to play for local educational institutions at the secondary and tertiary levels (see *Cities and Regions in the New Learning Economy*, OECD, 2000).

The inter-relationship between a town and its hinterland which was shaped by the cost and speed of transport and communication in the agrarian or industrial past has been radically reshaped in recent years. As a result, a central place position no longer assures a town of control over the surrounding area. Manufacturers in central Europe or the American midwest compete against manufacturers in Asia; shops in small towns compete against regional shopping centres. By contrast, towns participating in a network of settlements may benefit from the flexibility and complementarity of the network itself. Individual towns in the network may specialise; but the additionally of their diverse roles enhances the diversification and scale of the network of towns, which takes advantage of all the capabilities of the different places that make up the network, including a more open and flexible labour market. Given network capacity, small and medium towns can specialise in tourism and amenities, in niche products and in local production systems, all of which are however dynamic, and require constant investment and the support of expertise in business management. Effective and sound networking relationships between

small and medium sized towns allow all the towns to develop an integrated, complementary structure.

One larger implication with particular reference to infrastructures concerns the spatial shape of the national economy if it is assumed that *regional development is based on a series of inter-connected networks*. The traditional model was of a centralised system, with a dendronic-style hierarchy of routes linking individual small towns to intermediate centres, and intermediate centres to the capital; this meant that the transport and communication system radiated outwards from the capital towards the regions and frontiers of a country, and privileged a hub-and-spoke system over lateral routes which emphasised connections within and among the regions themselves and cross-border routes. The flexibility and capacity of vehicular transport and telecommunications however suggest a different model, one based on the strategic opportunities of individual regions rather than on their connections to the capital. This gives rise to networks of complementarity based on economies of integration and market interdependencies, and networks of synergy, based on co-operation for scale effects. From a traditional point of view, a national highway or railway system can be assessed in terms of how long it takes to travel between any point in the country and the capital; what matters now is how accessible a town in a region is to other smaller and larger towns in that and in adjacent regions. Thus, globalisation and regional economic integration have together combined to expose firms and towns in rural regions to global competition, reinforcing their direct participation in the world economy, without depending upon the intermediation of metropolitan centres.

Table 1. Central place versus network systems

Centrality	Nodality
Size dependency	Size neutrality
Tendency towards primacy and subservience	Tendency towards flexibility and complementarity
Homogenous goods and services	Heterogeneous goods and services
Vertical accessibility	Horizontal accessibility
Mainly one-way flows	Multiple flows
Transportation costs	Information costs

Source: Batten (1995)

Sustainability

Sustainability is an important aspect of rural development, for it is in rural regions that biodiversity, landscape and natural resources must be cared for, often as a public good. People from outside the area can enjoy many amenities without paying for them or contributing to the development of the local economy. Practical methods may be needed to assure an appropriate investment in the maintenance – and growth – of the stock of environmental assets or amenities, and to establish the conditions to assure a market for them (see appendix for key concepts). A specific framework of policy measures to value rural amenities may be needed and local and regional authorities may need to enhance public understanding of their importance, as well as provide the professional staff their care requires. *It is important that the specifically environmental character of rural assets be considered in a broader perspective, not only to improve the social – environmental interface, but also to anticipate and resolve policy conflicts.*

The development potential of non-metropolitan towns has often been underestimated. The observations made so far have three main implications for policy. First, small towns are a relevant object of policy analysis and intervention. The crucial problem is to orient them towards competitive success without entering into a logic of “boom and bust” development. The second implication is that efforts should be made to design specific options according to the characteristics of different types of towns. And the third is that policy measures have to take account of the capacity of national ministries, regional authorities, municipalities and civil society to implement policies and to work co-operatively towards a strategic vision.

Small and medium-size towns in non-metropolitan regions are affected by policies aiming at the improvement of inter and intra-regional transport, communication and the environment, as well as by policies for decentralisation. Other national (sectoral) policies with spatial impacts include education and training, investment and small enterprises and tourism. The territorial impact of such policies needs to be analysed more often and carefully, so that policy conflicts can be identified, and the advantages of a cross-sectoral approach with an area basis can be enhanced. National and regional infrastructure strategies can support the development of non-metropolitan towns to ensure that their population and enterprises have easy access to the type of advanced services that can otherwise be found only in metropolitan areas.

National and regional policies should be complemented by local economic development initiatives to form a single comprehensive but flexible strategy. Macro-economic policies alone are insufficient: they tend to overlook

the particular needs of individual towns and neglect the territory in which the town is situated. Moreover, the local capacity for innovation in general, and especially of strategies that solve local problems, depends in part on the development of social capital and partnerships which involve civil society and local initiative. Local development plans which combine top-down and bottom-up measures must build on the potential that already exists in each locality. It is a mistake to assume that growth only occurs when new firms, high-tech programmes or large retail facilities are attracted to a place: footloose industries are unlikely to remain committed to a region because they do not derive any special long-term advantage from that location. Efforts to attract firms through incentive packages may only lead to a zero-sum game, involving a waste of scarce public resources. Instead, the expansion of existing enterprises and innovations in the local production system should be supported, in combination with measures to improve infrastructures, education and training and other prerequisites for development that may attract inward investment.

All this requires a strong strategic framework with clear objectives. *This framework should enable towns to develop a more proactive approach rather than to wait upon the national government for guidance and leadership.* Local and regional authorities will have to act more flexibly to anticipate and facilitate development, and present the town and region as a cultural and social asset. Greater local and regional initiative however needs to be balanced against the large-scale, long-term financial commitments that planning often involves, which requires greater vertical co-ordination with the national government and increasingly with supra-national organisations such as the European Union as well as public-private partnerships.

Summary

The well-being of non-metropolitan regions depends vitally on the capacity of small and medium-sized towns within such regions to provide employment opportunities, retail facilities and services and civic and administrative functions that together can attract newcomers and investment, as well as retain people already living in the region, thus helping over time to build up the stock of local assets and the level of demand as a basis for further economic development. Moreover, such towns play an indispensable role as nodes in wider networks of trade and communication. Efforts to support small and medium-size towns in rural areas therefore benefit the wider micro-region. The development of these towns describes a pattern of interdependency with each other and with small settlements and rural communities that compose their hinterland. These relationships of interdependency are far more critical and durable at this level than in large metropolitan areas where the cities may no

longer interact with the rural areas in their immediate hinterland, preferring to privilege patterns of trade with other cities that are often hundreds or thousands of kilometres distant. From this perspective, national cohesion is partly grounded in a mosaic built up in non-metropolitan areas region by region.

A general set of policy requirements for small and medium-sized towns in non-metropolitan regions may be illusory, given differences regarding their economic, social and spatial features, their roles in regional and local cultures as well as and institutional capacities. This issue dramatically highlights the limitations of top-down policies, which may not reach the level at which local actors are engaged and mobilised. A strategic policy approach and policy toolkit have nonetheless emerged in recent years which can be applied to their development. In the case of the selected area of the Czech Republic, this approach raises questions about identifying and reinforcing the links between Moravská Třebová and Jevíčko and between both towns and the rural parts of the MTJ micro-region but also the connections between the MTJ micro-region and other places. It also brings forward the institutional capacity and governance arrangements whereby the micro-region has access to the services and assistance it needs.

APPENDIX TO CHAPTER 1

Sustainable development, key concepts

Sustainable development can be interpreted in economic terms as “development that lasts” (Pearce & Barbier, 2000) – i.e. a path along which the *maximisation of human well-being for today's generations does not lead to declines in future well-being*. The 2001 report on Policies to enhance sustainable development interprets human well-being as including not only the satisfaction of economic needs, but also aspirations for a clean and healthy environment, and preferences in terms of social development. Types of capital that sustain well being – because of their levels and distribution – include man-made, natural, human and social capital (OECD, 2001f). Their “adequacy” to support well-being depends on the interaction among them, as well as on the size of the population, its characteristics and preferences. Different types of capital provide one of the main mechanisms through which generations are connected to each other – as their stocks are influenced by current investment decisions, but their lives span several generations.

A key issue for sustainable development is the extent to which different types of capital can be substituted for each other. When substitution at the margin is possible, depletion of one type of capital is consistent with sustainability if it can be offset by an increase in other types. However, substitution between different types of capital is not always possible. For example, in the presence of critical thresholds for some resources, the cost of further degradation may escalate rapidly, calling for policies that maintain the quality and resilience of these resources. In the case of resources where critical thresholds can be defined, more stringent criteria for sustainability will apply.

From: *Policies to Enhance Sustainable Development* (OECD, 2001f).

Effectiveness of sustainable development strategies

To be effective sustainable development strategies have to:

- Be an integral part of overall government objectives and “owned” by the sectoral ministries and agencies responsible for the implementation of national development plans.
- Identify long-term constraints, trade-offs and opportunities.
- Provide an opportunity for an informed debate amongst stakeholders.
- Find ways to address conflicts amongst stakeholders in a peaceful manner.
- Promote the gradual integration of existing strategic planning processes.
- Define priority objectives and ways to monitor progress. *Donor support should:*
- Help identify areas where external assistance is required.
- Provide a framework within which external contributions can be co-ordinated.

From: *Sustainable Development critical issues* (OECD, 2001g).

CHAPTER 2

MACROECONOMIC SITUATION AND SPATIAL DISPARITIES

Introduction

The Czech Republic consists of 8 main regions (NUTS II), bringing together 14 regions (NUTS III) or 77 districts plus the Prague capital (NUTS IV). The Svitavy District, to which the Moravská Třebová-Jevíčko (MTJ) micro-region belongs, is one of the four districts of the NUTS III Pardubice Region, itself one of the components of the NUTS II Northeast Region. MTJ is the largest of the five micro-regions of the Svitavy District¹, which is located in Eastern Bohemia and adjacent to Moravia. It comprises 33 communes spread over 414 sq. km (out of a district total of 614 sq. km), the main town, Moravská Třebová having a population of 11 700 inhabitants, followed by Jevíčko (2 800). In 2001 these two towns represent more than half of the local population (close to 28 000 inhabitants). Twelve communes have less than 200 inhabitants, 9 between 201 and 500, 7 from 501 to 1 000 and 3 between 1 001 and 2 000.

The population of MTJ is comparable in size to that of the Svitavsko micro-region but much larger than that of others. The population density (close to 67 inhabitants per sq. km) is slightly higher than that of the smallest neighbouring micro-regions but far lower than the national average (131). These remarks are valid also for comparisons with the contiguous micro-regions situated to the East in the Olomouc NUTS III Region (Mohelnicko, Konicko, Litovelsko) and South in the South Moravia Region (Letovicko). Thus surrounded by seven other micro-regions located in three different NUTS III regions, MTJ also presents the characteristics of an inland border region, some features (historical ties to Moravia, predominance of agriculture) being shared with certain other adjacent small territories. This cross-roads geographical location puts the micro-region roughly at the centre of a triangle of three cities: Pardubice (92 000 inhabitants) to the Northwest, 91 kilometres away; Olomouc (103 000) to the East, at a distance of 55 km and Brno (383 500) 88 km to the South. Prague is approximately 220 km to the West.

Figure 1. MTJ in the Czech Republic



Source: Czech Statistical office

The Moravská Třebová Jevíčko micro-region, created in October 1998, is one of around 200 such voluntary groupings in the Czech Republic. These have developed since the beginning of the nineties to facilitate the definition and implementation of local economic development goals that the smallest municipalities are unable to foster without a wider territorial perspective. Their importance as strategic partners for the national government and the emerging regions (the first regional elections were held in November 2000) is highlighted by the fact that the regional reform decided in the context of EU accession entails the disappearance of the district level at the end of 2002. Although micro-regions do not form new administrative entities, they are obliged partners in the local development process and grants are now beginning to be addressed at that level.

In many micro-regions the main challenge will be in fostering a more balanced level of development as disparities, in comparison to regional and national averages, can be significant. In the case of MTJ – and this appears to be rather typical – GDP is slightly more than 70 per cent of the national average while that of the Pardubice region is close to 88 per cent. One of the main

obstacles towards achieving this is a relatively high unemployment rate (12.25% in MTJ mid-2001, similar in Svitavsko and Konicko), compared to the national average (8.5%). This can be explained by the relatively high proportion of people employed in the primary sector (13.9% in the Svitavy District but only 8.6% on average for the other districts in the area) that has been losing jobs. Likewise, the tertiary sector, which has the strongest potential for job creation is underrepresented (36.9% in the district versus 41.7% for other adjacent districts). This situation is reflected by the relatively lower number of enterprising entities in MTJ per 1 000 inhabitants (48) as compared with other adjacent micro-regions (67 for Litovelsko, 69 for Konicko).

Heritage

The land

The Moravská Třebová-Jevíčko micro-region is characterised by fairly good natural conditions and a certain diversity given its small size. The landscape varies from fertile flatlands to hilly areas up to 660 m above sea level. The climate is moderate, exhibiting abundant precipitation of 650-700 mm and average annual temperatures of 6-7° C. There is no significant deposit of raw materials except clay, the exploitation of which is gradually declining.

Table 2. Structure of land in MTJ micro-region

	MTJ micro-region		Czech Republic	
	Ha	%	Ha	%
Arable land	17 756	42.5	50 200	39.2
Forests	15 570	37.3	37 300	33.4
Other agricultural land	5 334	12.8	15 000	15.0
Water	316	0.7	-	-
Other	2 738	6.6	-	-
Total	41 734	100	-	-

Source: Statistical Office, Pardubice

Agricultural land

The total acreage of arable land and other agricultural land (23 090 ha) represents 55 per cent of the land surface in the micro-region. Medium textured soils account for 87.9 per cent and the dominance of brown soils leads to a high

share of arable land favouring crop production (wheat and barley). Farming is more intensive in the Jevíčko area. Even though agricultural land in the MTJ micro region is, for the most part, under cultivation², 988 ha are not used. Agricultural land not under cultivation is either poor soil or land set-aside because of the national compensation scheme (usually 10/15% of a farm's arable land). In most cases, the main reason for not using this land is environmental protection. Moreover, the land market virtually does not function in the entire region. Land is mostly leased from the owners who are paid in kind.

Wooded land

The total acreage of wooded land in the micro-region is 15 264 ha. The proportion of wooded land in the Svitavy district proper is the highest of all East Bohemian districts and 60 per cent is open to forestry activity. The state of forests is satisfactory save for occasional logging effected after relatively frequent wind-throw disasters. The micro-region is endowed with a high proportion of the *natural landscape elements* situated in the District of Svitavy. More than 50 per cent of the total areas of natural parks (close to 12 000 ha) is located there. Likewise, more than half the surface of selected natural heritage of the district is in the micro-region (56 hectares out of 88). Protection of this heritage is ensured by the Nature and Landscape Protection Act of 1992, which specifies restrictions in respect of land use.

Environmental situation

The MTJ micro-region is generally considered as an area presenting minimal emissions and a high-class environment. Main sources of pollution are heating facilities, particularly in Moravská Třebová, and automobile traffic that is slightly increasing. Progressive conversion of heating facilities to natural gas has improved air quality in these parts of MTJ. Nonetheless, remaining sources of heat dissipating solid pollutants still affect negatively air quality during the winter. A source of concern resides in disposal of solid waste, with five former or illegal garbage dumps continuing to create problems. This is particularly the case for a hazardous waste disposal area located in an old iron ore mine in Vranova Lhota, that is considered to be the major environmental sore in the micro-region. Concerning noise, MTJ does not experience any particular problem and can be considered as a tranquil area. The situation concerning surface waters, sewerage and treatment of wastewater leaves room for improvement, (see further).

Cultural heritage

The cultural and architectural heritage of the micro-region is noteworthy, although within the Czech Republic many other areas are testimony to a rich historical past. This heritage is concentrated in Moravská Třebová, which was declared an urban heritage reserve in 1980 (one of 43 in the country), and in Jevíčko, the centre of which has the status of a national heritage zone (one of 211 nation-wide).

The beginnings of the town of *Moravská Třebová* date from the middle of the thirteenth century. The most valuable architectural ensemble is T. G. Masaryk Square, dominated by the town hall built in the late Gothic period and reconstructed in the Renaissance, that is surrounded by Gothic townhouses rebuilt in the Renaissance and Baroque periods. Another major landmark is the castle (late 13th century, rebuilt 15th-17th centuries) that is one of the oldest Renaissance style monuments in the Czech Republic. Now under restoration, it houses a public library and a small museum with works on loan from the National Museum, mostly devoted to the Baroque period, and also a temporary exhibits. During the summer season, various shows highlighting local traditions and culture are held in the main courtyard. The Church of the Assumption of the Virgin Mary and the Calvary on Cross Hill are also good examples of Czech High Baroque architecture. The municipal museum, dating back to the Art Nouveau period, houses a permanent collection of graphic arts and a collection of artefacts from ancient Egypt and various Asian countries.

Jevíčko was founded as a Slavic settlement in 1220, and is one of the oldest towns in the area. The town has a unique oval shape, which can be easily visualised from a belfry which offers a spectacular view of the town and surrounding countryside. The town itself is surrounded by rampart walls dating from the fifteenth century. Although declared a national heritage zone, the town centre, particularly the main town square would need extensive restoration if it were to recover its original character and beauty. The museum is housed in a former Augustinian monastery. A former synagogue serves as a concert and exhibition hall, and commemorates the history of the Jewish community. In other towns of the area there are certain lesser cultural and architectural monuments listed in the State Registry of Immovable Heritage.

A unique industrial heritage attraction is the 600-mm narrow gauge railway with steam locomotives linking Mladejov and Hřebeč (11 kilometres) with infrastructure that was formerly used for extraction of fire clay used in iron ore furnaces. The majority of the rolling stock is housed in Brno but some unique models are stationed in Mladejov, where a small open-air museum is accessible for free to the public from May to September since 1998. The trains operate only on weekends during the same period. Four thousand passengers took the trains in the year 2000 (out of a capacity of 10 000 with the same trip frequency).

The population

Contrary to most parts of the Czech Republic, the population of the micro-region is heterogeneous in its composition. The area was largely resettled after 1945 by Czechs and people from Eastern and Southern Europe, replacing the German Súdeten population. This was not the case for the Jevíčko area that had not been annexed by Germany during World War II. Furthermore, because MTJ is on the eastern border of Bohemia, it has characteristics described as those of an "inland border region". Moreover, despite the fact they are officially members of the Pardubice region, inhabitants are likely to consider themselves Moravian and closer to the Olomouc region. For these reasons, its identity has had centrifugal tendencies that have compromised local and individual initiative.

According to the 1991 census, people of Czech origin represent 70.5 per cent of the population and 26.8 per cent are of Moravian descendency, the remaining are mainly of German, Polish and Slovak extraction but their proportions continue to decrease. This last trend is similar to that of the Czech Republic as a whole. The micro-region had a population of 38 000 in 1930, as against 28 000 in 1980 and 27 821 in 2001. This collapse in total population (owing to the transfer of populations that started in 1938) affected all municipalities, exception made of Moravská Třebová (population increase of about 9%). Jevíčko's population started growing again as of 1961, without ever attaining pre-war levels. Following these patterns, small and medium size municipalities have tended to carry most of the decrease of the area's population. The number of intermediate size municipalities (1 000 to 2 000 inhabitants) has even been reduced by more than half. Thus, maintaining sustainable medium and even small size towns for the future of the micro-region is definitely an important challenge.

From 1998 to 2001, the MTJ micro-region experienced a slight decrease in total population (-0.28%), nevertheless some municipalities exhibit

a large decrease in their population while others have witnessed an increase. This shows the importance of intra micro-regional migration. It should be noted that the Jevíčko area is associated with a small increase in total population (+0.20%), while the Moravská Třebová area experienced a slight decrease (-0.44%). The largest decreases have occurred in the smallest municipalities associated with a very low youth ratio. On the opposite, some medium size municipalities (from 100 to 200 inhabitants) have seen their total population increase by around 9 per cent, and in most cases this was followed by an increase in the youth ratio. In the case of one town (Útečov), this increase results mainly from the availability of inexpensive parcels for new housing. In addition, for some municipalities, the low birth rate implies a decrease in population because it is lower than the death rate. The opposite is also verified: Borusov +5.13 per cent, thanks to birth-rates higher than death rates. (See chart in Appendix).

The age profiles of the population in many municipalities are rather similar, with smallest communes likely to have higher percentages of elderly people. Municipalities with the largest share of population between 15 and 59 years of age are in most cases situated close to the railroad, and main bus lines. Conversely municipalities with the smallest share of population between 15 and 59 years old are in general far from the railroad and main bus lines as well as from Jevíčko or Moravská Třebová. Finally, despite a recent increase in 2000, the number of live-born children continues to decrease (-27.8% in the last ten years). However, the birth rate in MTJ, 9.5 live-born children for 10 000 is higher compared to the national figure (8.8), and close to the Svitavy district level (9.7); associated with the low rate of migration this results in a gradual ageing of the population. Thus there is still today a favourable age structure with a high proportion of active age adults.

Social factors

Health care

The health care system in MTJ including both public and private facilities is generally considered satisfactory but it presents some shortcomings in terms of capacity and comfort. Renewal of medical personnel does not appear to be ensured because of better living and working conditions elsewhere, in an overall competitive environment not only in the country but abroad as well; indeed the Czech Republic as a whole could see an out migration of doctors and nurses.

Hospital infrastructure

A hospital specialised in internal medicine and surgery is located in Moravská Třebová (108 beds in 2001) but its capacity has been recently reduced (from 163 in 2000) because of budgetary constraints decided at the state level. The maternity ward in the hospital has been closed down for the same reason. A specialised health care institution for the cure of pneumonic and out-pneumonic tuberculosis is situated near Jevíčko (176 beds in 2000). Despite recent renovations, this institution is still too old and does not meet adequate standards of comfort. These two facilities are staffed altogether by 79 doctors, 221 nurses and 156 employees in related activities. Moreover there are five other hospitals close to the MTJ micro-region. Being the closest, the Svitavy hospital covers the region since 1999.

Medical personnel

Regarding doctors in private facilities, about 54 specialists and generalists are working in the area (mainly in stomatology). Consequently there are 47.7 doctors per 10 000 inhabitants and 79.3 nurses per 10 000 inhabitants in the micro-region. Specialists in stomatology being included, these ratios are close to national levels (41.4 doctors per 10 000 inhabitants). However, as compared with other OECD countries, the number of doctors per 10 000 inhabitants remains insufficient, especially if one does not take dentists into account. On the other hand, health care facilities, as is recognised in the whole country, are inadequate regarding number of beds and medical personnel. This situation is likely to worsen in MTJ since there is no particular incentive for young doctors to settle in the micro-region.

Retirement and nursing homes and services

On the other hand, capacity of retirement and nursing homes and efficiency of care and services for the elderly are satisfactory. However the municipal social-care facility operating as a residential nursing home in Moravská Třebová (220 beds) needs renovation and no funds are currently available. Three other nursing homes (56 beds) and six flats are located in Jevíčko. These centres provide health care and catering but also social, legal and material assistance. For senior residents preferring to stay at home, a visiting social service also covering neighbouring villages, provides care on a regular basis.

Education

Education in the MTJ micro-region presents several contrasts. Overall capacity of educational establishments seems to be in conformity with demand. On the other hand, employers are complaining about the low level of skills of unemployed people, which suggest inadequacy of specialisation to the needs of the labour market. Thirty-five per cent of unemployed school leavers in the Svitavy district were registered in Moravská Třebová in April 2001, which corresponds to about 7.3 per cent of unemployed people in the MTJ micro-region. Related to the active population of MTJ, this figure underlines a high drop-out rate as well as the higher difficulty for this population in finding a job than for school leavers elsewhere in the district.

Educational attainment in MTJ

The MTJ region is characterised by a lower level of education in comparison with national averages. Output of schooling may be evaluated by the structure of population by education level:

Table 3. MTJ micro region population by education

Per cent of total population aged 15 and more

	1991	2001	% change
No education	0.3	0.4	36.7
Basic education	39.6	27.6	-30.2
Vocational	37.3	43.7	17.2
Secondary school	17.4	20.7	18.9
Higher technical education	0.1	1.0	977.7
University	4.4	5.4	21.4
Unknown	0.9	1.2	33.3
Total	100.0	100.0	

Source: OECD from Census 1991 and 2001.

In 2001, the situation has slightly improved. Nevertheless, the proportion of people with university education is still low (about 5%). For most municipalities, where the majority of the population possesses basic vocational training or education, the labour force is often insufficiently skilled, even as the share of vocational education is increasing. It is likely that some of the people with only basic education did not participate in the census, thus reducing the scope of what appears to be a positive trend.

Educational institutions

Kindergartens and schools up to the ninth grade are in the direct competencies of communes in the Czech Republic. For 7 municipalities for which data was produced for the MTJ micro region territorial review, expenses for schooling range from 2.7 per cent of total municipal expenditures (Biskupice) to 48.4 per cent (Mestecko Trmavka). This municipality is building a new school that increases dramatically the level of expenses in school furniture and other schooling equipment.

Regarding *pre-schooling infrastructure*, there are 20 nurseries and kindergartens or 42 classes in MTJ (for 955 children, about 48 children per nursery or 23 pupils per class), a new one being planned in Moravská Třebová while two have been recently closed. Seventy-seven teachers staff these schools. The geographical spread of these establishments appears to be satisfactory, including most of the smallest communities (about fifty per cent of municipalities have a *kindergarten*). In the micro-region each municipality having more than 50 inhabitants aged between 0 and 14 years has a *kindergarten*.

There are 15 *primary schools* located in municipalities having more than 100 inhabitants (age from 10 to 14), of which only 11 operate at full capacity at all grades (1 to 9 grades), the four remaining operate at grades 1 to 5. There are 2 969 pupils, 145 classes and 205 teachers. At this level, the problem appears to be not so much one of infrastructure but rather one of staffing, since there are not enough qualified teachers to ensure teaching in all grades. Eighteen point eight per cent of teachers for kindergarten do not have the proper qualifications³.

There are 18 *secondary schools* and 16 specialised institutes in the Svitavy district. Among them, 11 secondary schools and specialised institutes are located in MTJ. Three of these schools (and one vocational school) are located in Moravská Třebová. In addition there are 2 other specialised schools in Jevíčko. The Technical Institute of the Ministry of Defence for cadets is also

located in Moravská Třebová. In addition, there are schools for children requiring special care.

From 1999 to 2000 about thirty per cent of classes closed due to a decrease of 23 per cent in student enrolment. Nevertheless the scope of training offered by the vocational schools remains broad with fifteen different specialisations: cook, waiter, hotel service and tourism; textile and clothing industry production and management; shop assistant, business and service management in retail; plumber, bricklayer, mechanic, agricultural worker; welfare and social services. Most of these fields are closely related to three of the traditional activities in the MTJ micro-region: agriculture, textile industry and the building industry, which are also declining in terms of employment.

Media, sports, culture and local events

The media

There is no local daily newspaper within the MTJ micro-region. "Moravskotřebovské Noviny" (Moravská Třebová News) is published on a monthly basis with financial support from the town (circulation 1 550). The closest daily newspaper giving coverage of local events, "Noviny Svitavska", is edited in Svitavy. Circulation is 2 000 from Monday to Thursday and 3 500 on Friday/Saturday. The closest radio stations are in Pardubice. Likewise there is no regional television station. Cable television is available in Moravská-Třebová. Internet penetration remains low but no accurate figures are available: estimation is around 5 per cent of households with a connection (national average for PC penetration is 25 per cent for the year 2000 while internet penetration is at 13% nation-wide). On the other hand the Internet as a communication tool is spread over the micro-region. Municipal libraries in Moravská-Třebová and Jevíčko offer public access and other access points, both public and private, often financed on public funds, are available. A total of 13 localities will offer such possibilities by the year 2002.

Sports

The MTJ micro-region possesses a relatively well-developed sports infrastructure with several types of fields and equipment found in most towns. Even the smallest communities are not left out and often have their own football or volleyball field and/or gym. A number of sports facilities and grounds have been built including ice skating rinks (covered rink in Moravská Třebová), swimming pools and tennis courts. Stare Mesto boasts a small airstrip and an

aero club. There are also three ski tows in the area. A dense 200 kilometre network of 6 cycling routes offers many possibilities (see section on tourism) and horseback riding can be practised in three locations.

Practice of sports is very developed. More than three thousand people are members of one of the 18 sports clubs or associations in MTJ in 2000. The sporting union "TJ Slovan" with more than one thousand members ranks among the most active and is the largest sporting organisation in the area. It should be noted that sports facilities are accessible to all, membership in a sports association not being required. These favourable conditions have contributed towards the making of world class champions in various sports. Besides, international competitions in different disciplines are held each year.

Cultural activities and local events

MTJ possesses 33 public libraries, with more than one in the biggest towns. They function as a network and many provide Internet connections and training. There are four museums, two of them located in Jevíčko. There is one movie theatre in the area located in Moravská Třebová and operated with financial support of the municipality. Each year there are in MTJ approximately thirty different events of various kinds and level of interest (strictly local, regional or national, international). Major cultural events take place in Moravská Třebová. The Days of Slovak Culture are held in May, the Summer Chateau Festival takes place during 10 days at the peak of the tourism season and the Small Theatres Festival is scheduled in November. Other events, more of a local nature, are pilgrimages or religious celebrations (around ten) and various other festivities.

Handicrafts and local specialities

These two sectors of a traditional type are practically absent from the area, but local basketwork is available in some stores, even if choice of designs or sizes remains limited at this stage. In a tourism economy this can be both a dynamic sector as well as a component of the marketing image developed to attract tourists. Whether building on lost traditions or developing new ones, the possibilities remain open, depending on local materials (clay deposits existing in MTJ) and available skills (basketwork) as well as specific measures to attract new creative talent that could be implemented.

Infrastructure

Basic Infrastructure

Water supply, water treatment, sewerage

The provision of drinking water sources in the micro-region can be considered as adequate. The average existing and future reserves amount to some 70 per cent of present consumption. The situation with surface waters is less satisfactory: in some places, a higher level of large area contamination has been observed owing to missing sewerage and water treatment plants (WTPs). However new technology installed ensures the removal of phosphorous compounds. Some 31 per cent of the inhabitants of the micro-region are connected to the water sewerage system (average for the Svitavy district 52.6%). Only one third of the 33 communes operate their own sewerage systems in conformity with the Czech State Standard CSN. Most systems in smaller communes, built as part of self-help activities, fail to meet CSN requirements on tightness. There are only six wastewater treatment plants. Capital expenditures needed to build the missing WTPs have been estimated at around Czk1 billion. With some exceptions the state of repair of the sewerage systems and the wastewater treatment plants is unsatisfactory, the EU Directive requiring wastewater treatment in all settlements with more than 2000 inhabitants.

Electricity, Telecommunications and broadcasting

The micro-region has an adequate supply of electricity although it has no significant sources of electric power itself. It is supplied from other localities via 110 kW lines and three junction substations. Consuming close to 50 per cent of all electric power in the district, MTJ still has a sufficient reserve for new consumers whether households or industries. The low voltage grid has been modernised and is considered to be reliable concerning voltage fluctuation.

The MTJ micro-region disposes of an up to date telephone network, with installation of cables and digitalisation expected to be completed by 2002. Mobile telephony coverage of the area, also satisfactory, is ensured by the national operators Eurotel and Paegas. For the reception of radio and television signals there are some problems with quality and coverage in certain localities.

Housing

The paradoxes of the local housing market: unoccupied dwellings

In the Svitavy district, there are 545 housing units per 1 000 inhabitants and 551 for the MTJ micro region. For most municipalities, figures are above national averages (530 housing units per 1 000 inhabitants). Nonetheless, there are some disparities. Thus, for the whole country, there are 1.6 inhabitants per housing unit, 1.5 for the Svitavy district and 1.5 for the MTJ micro-region. Some municipalities exhibit an inverted ratio (more housing units than inhabitants). Nonetheless, considering the number of persons per occupied dwelling, the average figure for MTJ is 2.88, above the national average of 2.69. This emphasises the relatively high proportion of unoccupied housing in MTJ. In MTJ, 23.4 per cent of housing units are unoccupied, which is far above the national and Svitavy district figures, 14.1 per cent and 16.5 per cent respectively. If unoccupied dwellings used for recreational purposes are removed from the total, an opposite situation arises. The average share of unoccupied dwellings for the MTJ micro region (7.1%) is then below the national figure (8.5%) and the Svitavy district figure (7.5%). Besides, if dwellings unsuitable to live in are not taken into account, unoccupied dwellings in the MTJ region reach 4.7 per cent of total dwellings, 5.8 per cent for the Svitavy district and 7 per cent for the Czech Republic.

Age and structure of housing stock

The housing stock in the micro region is divided between individual houses (44.4%) and dwellings (65.6%). If sanitation and heating conditions are acceptable, a large proportion of housing is in poor condition and technically obsolete as a result of neglected maintenance. This situation is due in part to the privatisation process that did not include any provision for the management of apartment buildings. Costs of repair, maintenance and modernisation are very high with regard to average income. The average age of dwellings in the Czech Republic is relatively high (60.3 years for family homes and 36.2 years for apartment buildings). The MTJ region exhibits a similar pattern, more than forty per cent of buildings were constructed before 1919. As elsewhere, prefabricated panel buildings were extensively built early in the eighties. Regarding houses, most were built before 1945 (*source: census 2001*).

Transportation

Road network

Although MTJ is small, it is not self-contained. Close links are maintained with neighbouring Moravia. Moravská Třebová has in particular a strong relationship with the Olomouc region of Central Moravia that could be reinforced by the extension of an upgraded highway westwards from Olomouc as part of a national project to complete cross-country links. Jevíčko is more closely linked to South Moravia and Brno. The existing road network comprises main roads of regional and local character connecting the two micro region centres Moravská Třebová and Jevíčko, and municipalities with these two centres. Thoroughfare roads connect the MTJ micro-region with regional centres such as Svitavy, Pardubice, Hradec Kralove and Olomouc. Other thoroughfare roads connect the MTJ region with Poland (106 km) to the north, Austria (125 km) to the South and Slovakia (195 Km) to the Southeast. If major roads are in a good state of maintenance, local roads, mostly with only two lanes, are often in poor condition.

The issue of accessibility is obviously of the greatest importance to MTJ, both in terms of communication with other areas and mobility within the micro-region, especially between the small rural communes and the main towns. As for the former, the proposed upgrading of I 35/E 442 connecting the District with Olomouc to the East and Pardubice and Prague to the West is vital. At the present time, the upgrading is planned to begin in the West and proceed towards the East, thereby relieving some of the congestion in the region of Prague. However this schedule would delay for many years any improvement in the accessibility of MTJ, especially important in terms of long-distance truck haulage, which could be a major consideration for any firm looking to invest or expand in the micro-region. The section to be completed East of MTJ connecting it with the high-speed road to Olomouc that already exists is relatively short, and could be undertaken in the near future without prejudice to the planning and construction of the rest of the route westwards.

Airports and Railroad links

International commercial airports are in Brno and Pardubice, less than 100 kilometres from the micro region. There is also one small airport at Stare Mesto that enables aircraft up to 7.5 tons to land and is open to light aircraft on domestic and European flights. It serves as a training centre for the Czech

national team in aerial acrobatics and it hosts a sky-diving school and a flight school.

There is rail service provided by Czech Railways on lines of a single track, but due to low profitability, maintenance is inadequate. The principle route is from Skalice na Svitavou to Ceska Třebová 30 kilometres to the north (forty minutes by train from Moravská Třebová), with national connections. It schedules 19 passenger trains per day; capacity utilisation is 57 per cent and occupancy is 35 per cent. The line goes through MTJ from the north to the south with stops in several localities.

Private automobiles and motorcycles

There are 9 063 cars and 1 999 motorcycles registered in MTJ (source: Department of Transport, Svitavy), which correspond to about 3.1 inhabitants per car with 3.2 for the Svitavy District, in comparison with 2.0 for Prague. It should be noted that cars are mostly used for commuting and car-pooling is not infrequent. On the other hand there are very few taxis in MTJ: only four operators based in Moravská Třebová. The cost of a car is equivalent to 19 months of an average wage in the Czech Republic, versus 9 in the United Kingdom and 4 in Germany for a small car.

Bus lines

Several operators (private and public) are responsible for bus transport in the Svitavy district. In the MTJ micro-region, about 95 per cent of bus transportation is provided by the private company CSAD Usti nad Orlici.

According to the transportation company, the fleet operating in MTJ is equivalent to 35 buses (capacity 45 seats), 5 buses (34 seats each) and 2 smaller buses (27 seats). There is no freight transportation aboard these buses. On the other hand, the same vehicles ensure simultaneously transportation of children and students to schools and universities in the area (60% of total passengers). Elderly people represent only about 5 per cent of total passengers. The remaining 35 per cent correspond mostly to commuting workers.

Bus lines can be divided roughly into three main categories, feeder lines, main lines and long distance lines. Long distance lines (about 50 up to 120 km) depart from peripheral municipalities and go mainly to Brno and with lesser frequencies to Olomouc and Prague. Main lines (from 15 to 50 km) operate between Moravská Třebová and Jevíčko, by the West on one hand,

going through *Bela u Jevicka* and to the East on the other, going through *Mestečko Trmavka*. Feeder lines (less than 15 km) transport inhabitants from/to the two main municipalities (*Moravská Třebová* and *Jevíčko*) to/from neighbouring smaller municipalities. Other local lines allow East-West traffic. (See map in appendix).

Each municipality has access to public transportation, even if bigger towns have more lines and frequencies than the smaller ones. There is at least one bus connection per day from each locality and there is no trip in the micro-region that involves more than one transfer. Lines now operate mostly mornings and afternoons to accommodate the beginning and end of normal working hours, classes, and office hours of health care centres and administrations. In some cases, lines are operating only on even weeks but it is not likely to be the rule and some lines interrupt service during holidays. The quality of transport use measured in access, connection speed, number of changes, travel duration and time of access to the main towns of *Moravská Třebová* and *Jevíčko* is relatively good.

Nevertheless, over weekends and partly in the evening, choice of schedules is rather limited for small municipalities. On weekdays, in some cases, children living in these small settlements have to leave their home earlier than needed to be at school on time since there are no buses scheduled to pick them up later. In most cases this involves only a small number of pupils. Optimisation of the network of bus routes is achieved through regular consultation between municipalities, entrepreneurs, the Department of Transport and the bus companies. Lines are set up to fulfil the needs of entrepreneurs and municipalities alike. Thus, some lines connect municipalities to major employers from specific municipalities.

The economy

One of the most typical aspects of the micro-region is the still dominant position of farming in regard to the national average, in spite of agricultural restructuring and loss of jobs. The primary sector in the Czech Republic employs about 8.7 per cent of the labour force, but in MTJ the percentage is 14. Manufacturing represents 42 per cent of the national labour force but in the micro-region its share attains 49 per cent. Consequently, the tertiary sector in MTJ is well below the national average (37% as against 49.3%).

In 2001, the labour force is mainly employed in manufacturing, construction and agriculture, services being relatively marginal in terms of employment.

Table 4. Employment by economic activity

Economic Activity	%
Agriculture, forestry and fishing	7.9
Mining and quarrying	0.3
Manufacturing + electricity gas and water	24.1
Construction	9.7
Trade, repairs of motor vehicles and consumer and household goods	7.9
Hotels and restaurants	2.8
Transport, post and telecommunications	4.4
Financial intermediation	0.9
Real estate, renting and business activities	2.3
Research and development	0.1
Public administration, defense, social security	4.7
Education	5.6
Health and social work	4.6
Other community, social and personal service activities	2.9
Registered Unemployed 31 Oct. 2001	11.5
Unknown and unregistered unemployed	10.0
Total	100.0

Source: Census 2001

Agriculture

Main characteristics and recent evolution

In the socialist period, agriculture, which had employed roughly one-third of the labour force, played a dominant role in the MTJ micro-region. During transition, the share of agriculture in overall employment dropped substantially to a level of 18 per cent ("Background Report"). This figure is still above the national average, which corresponds to 5.3 per cent (EU Regular Report, 2000). Similar to nation-wide trends, the reduction of agricultural labour was caused by outsourcing of sideline productions, deterioration of performance, output fall and an increase of labour productivity. Also the exit of young and qualified people could not be compensated by an inflow of new personnel endowed with adequate education and management skills. Even more important is the fact that wages in agriculture are very low and often close to the level of social benefits. On the other hand, redundant agricultural labour may not be able to find a new job due to missing qualifications and an

unfavourable age structure. Nevertheless, the MTJ micro-region offers good conditions for agricultural production as has been previously stated.

Table 5. Crop production in MTJ

Crop	%
Wheat	29.1
Barley	19.1
Other grain	4.8
Rape seed	10.0
Sugar beet	3.0
Green vegetables	2.0
Potatoes	2.0
Poppy seeds	1.5
Flax	1.0
Medicinal plants	1.0
Total	73.5

Source: Estimations by the regional office of the Ministry of Agriculture

Structure of farms and production

In 2000, more than 300 farmers were established in MTJ⁴. There are about 14 farmers per 1 000 inhabitants in the Jevíčko area and 10.5 farmers per 1 000 inhabitants in the Moravská Třebová area. Three agricultural co-operatives are located in the region with an average size of 1 956 ha, four joint stock companies cultivating 1 528 ha on average and five limited liability companies with an average size of 966 ha. Livestock density in these companies is very similar and fairly low with roughly 0.45 livestock units per ha. Ten individual farms are located in the region with a much smaller average size (212 ha). Livestock density accounts for 0.23 livestock units per ha in these farms⁵. Due to the fact that land has been given back to former owners, land under cultivation is often rented. In addition small-scale farms, some of which only cover around 1 ha, mainly produce for self-sufficiency and supplement off-farm household incomes.

The traditional dependence of the economy in the MTJ micro-region on agriculture has made it vulnerable to the adverse effects of economic transition. Contrary to trends in western European countries, farm restructuring in the Czech Republic has been accompanied by the reduction of non-agricultural activities such as handicraft, construction, repairing and food processing. Likewise, crop diversification remains limited, in spite of advice and support provided to farmers by the Agrarian Chamber. Indeed, economic diversification plays a subordinate role in the region's agriculture. The majority

of producers concentrate on traditional agricultural goods such as grain, oilseeds, milk and cattle. From a producer's perspective, the favourable natural conditions, large farms and a satisfactory technological level are the potential competitive factors to build on. Some sporadic activities can be observed including the production of speciality crops, vertical integration in input supply and horse breeding. The trading co-operative in Jevíčko provides agricultural inputs and services (such as seeding, harvesting) to other farmers.

Food processing, relations with processors

Only four main food-processing companies are recorded in MTJ, two in Moravská Třebová, one in Mestečko Trnavka and one in Jevíčko. The majority of agricultural raw material is sold to companies elsewhere in the Svitavy district or in the Pardubice region. An important processor is the Miltra dairy plant, which is located in Mestečko Trnavka and employs 177 people. This firm has enjoyed a rapid growth in the last years and processes a substantial part of locally produced milk. Its main product is cheese, which is sold to different regions in the Czech Republic. Even though marketing channels are stable, the company does not seem to pursue a specific marketing strategy. It does not use its own label when selling the cheese. In addition, two companies sell cattle-feed mainly to farmers in the micro region and in the Svitavy district.

The relationships between agricultural producers in the micro-region and processing companies seem to be very weak. For farmers, sales contracts often create a number of problems due to their short-term character, matters of insolvency and unbalanced power between the parties. The greatest difficulty that emerges in the relationships between producers and processors of the MTJ micro-region is that of late and uncertain payments. Sugar beet producers must wait one year or longer before getting fully paid. On the other hand, some farmers must sell their products before the harvest because of liquidity problems. The prices they receive are lower than they could be after harvesting time. Thus, existing storage facilities cannot be used for temporal or regional arbitrage.

Forestry

The MTJ area is characterised by a large share of forestland (37%). Seven main wood processing industries are located in MTJ, the largest in term of employment, Cellutec A.S., being in Jevíčko (122 people). The scope of activities is wide, and encompasses farming and production of various wooden

products. Firm size and reach greatly differ from one company to the other. Indeed, most sawmills are of local importance, while Kolwood spol. S.R.O., which produces medical spatula, almost has a monopoly in its field of activity and exports part of its production. Several cabinetmakers working for the national market are established in MTJ in the localities of Kuncina, Vysoka, Jaromerice and Moravská Třebová.

Industry

Industry in the MTJ micro-region includes traditional sectors such as textiles, building, metal processing, mechanical engineering, food processing and wood processing but also new-comers such as the electric industry, plastics and more recently computer software design. Although this activity is classified in the services sector, it is included here as its products and services are often sold nation-wide and even internationally, which is the case for the OR/CZ computer software firm based in Moravská Třebová (82 employees). With economic development and privatisation in the early nineties, traditional sectors tend to reduce their share in total employment. The textile industry and mechanical engineering, although having experienced significant downsizing, remain the most important in terms of employment (596 employees for the Hedva textile firm, 534 for Gillette).

Joint ventures are also increasing: ASCI S.A. (Textile industry, maker of automobile air bags), Gillette (mechanical engineering), Rehau (plastic parts for automobiles). However, most business entities remain small and many are micro businesses: the Labour Office in Svitavy quotes less than 60 employers having more than 24 employees (companies with less than 24 employees do not have to declare employment figures). (See in Appendix a list by type of activity and level of employment of larger employers in MTJ).

The micro region comprised in 2001, 1 337 "enterprising entities": 421 in agriculture, forestry and fishing, 494 in industry and 422 in the building industry. (Source: Statistical Office, Pardubice). Thirty-five point three per cent of businesses are located in Moravská Třebová and 10.1 per cent in Jevíčko. The geographical spread of these businesses is satisfactory given respect to population size and location. Each municipality has at least one employer but is likely to have fewer than 30 enterprising entities (24 out of 33 municipalities).

Services

Local services

The micro region belongs to an area with a relatively low rate of criminality: about 19.9 criminal acts for 1 000 inhabitants in the Svitavy district in 2000 (national average of 38.1 and 90.4 in Prague). Thus there are only around 3 policemen for 2 000 inhabitants in MTJ. There are 24 national policemen in Moravská Třebová and 8 municipal policemen. In Jevíčko there is no municipal police but 8 national policemen are stationed there. A road police task force is located in Svitavy. Municipal police is in charge of public order and minor offences, while the national police investigate major offences. The municipality of Moravská Třebová spends for its municipal police about 1.4 per cent of the municipal budget each year. Regarding other public services, nineteen out of thirty-three municipalities do not have their own post office, in some cases the closest being about 5 kilometres away. The main post offices are in Moravská Třebová and Jevíčko. Similarly, most municipalities do not have enough employees to offer a sufficient range of services.

There is a wide range of private services provided in the micro-region. Similarly to industry most services and retailers are located in Moravská Třebová and Jevíčko. While hardly measurable, according to the statistical office of Pardubice, there are 2 268 "enterprising entities" engaged in services in the micro-region most of them in retail and wholesale activities. Many services such as: accounting offices, advertising agencies, financial, legal and tax consultants, office space rental and real estate agents are of great interest for businesses and implementation of new activities. The vast majority of these is located in Moravská Třebová. On the other hand, while several municipalities are served by ATM machines, there are only three bank offices in Moravská Třebová.

Regarding neighbourhood services, the geographical spread of grocers, drugstores and variety stores is satisfactory. There are 5 supermarkets

in MTJ. Garages exist in Jevíčko and Moravská Třebová and there are 7 gas stations for the whole micro region, located in four municipalities. On the other hand, there are not many repair shops, such as plumbers or cobblers. The problem for the creation of local businesses and services of this type rests in the low purchasing power of the population, limiting potential revenue for small entrepreneurs. In the retail sector, the competition of bigger super markets in MTJ (some located in town centres) and also in the vicinity have hurt local businesses that cannot offer the same reduced prices.

Tourism

a) Number and type of visitors

The number of visitors is estimated by local authorities to be around 1 200 for the year 2000 summer season but no annual figure was supplied. In comparison, the figure established by the Czech Statistical Office (CSU) for the District of Svitavy over the 12 months of the same year is 11 544, amongst which 2 656 foreigners⁶. This means that around 10 per cent of visitors to the district go to the micro-region, the majority of the remaining 90 per cent visiting the Litomysl UNESCO World Heritage Site. The main tourism season runs from April till September but weekend tourism is maintained all year round. The months of April, May and June but also September appear to be those during which most foreign tourists (Germans, Austrians) visit the area for brief stays (two or three nights) rather than main holidays, but no breakdown of number of foreign tourists was supplied. In July and August Czech tourists prevail, but also with a short length of stay. Visitors, both Czech and foreign, are attracted to an area that can offer an affordable vacation in a generally well preserved environment with activities like biking and an interesting cultural heritage as well as some local events. In the long run however, cheap accommodation with low level of comfort is more a handicap than an advantage as all visitors have come to expect minimum standards.

b) Lodging infrastructure

Lodging infrastructure in the overall micro-region is diverse, including hotels⁷, pensions, bed and breakfasts and rental houses. Figures supplied do not easily distinguish between these categories but it appears that there are approximately thirty hotels/pensions/B&Bs in the area (and a similar number of restaurants), with around ten in Moravská Třebová (6 restaurants) and 5 in Jevíčko. The average capacity of hotels is thirty to forty beds, with an occupancy rate of fifty to sixty per cent, striking a low of thirty per cent during

the winter months. Prices are cheap (from around Czk 200 to less than 1 000). Generally the technical condition and furnishing of hotel rooms needs considerable upgrading⁸. Recent refurbishing has nonetheless improved the comfort of a few hotels. The overall situation results mainly from the very high cost of financing infrastructure in the tourism sector, still considered as high risk by most Czech banks.

c) Employment in tourism

There are approximately 350 permanent employees in the field of tourism in the Moravská Třebová-Jevíčko micro-region today with an estimated 400 to 450 during the summer season. No breakdown between different kinds of activities was provided but the majority is employed in the two towns of Moravská Třebová and Jevíčko, mainly in hotels, restaurants and tourism services such as cycle shops. Most people employed lack adequate skills and training in the hotel and catering industries. Level of knowledge of foreign languages is low as well as communications skills. Education and training of future employees is partly ensured in Moravská Třebová by the High School specialised in tourism. Higher training in tourism is ensured in Litomyšl in a private school offering one-year courses including language teaching. There also exists a public vocational institution in Svitavy for the catering industry comprising a hotel. The institution has contracted with forty restaurants, allowing for two-week courses.

Labour markets

General trends

The MTJ micro region suffers from a rate of unemployment (11.9%, census 2001) that is above average compared with the national (8.5%), regional (8.3%) and district figures (11.04%). This rate, however, is not as high as the one found in some structurally weak regions affected by the decline of mining and metalworking, such as Ostrava (190 km to the east of Moravská Třebová). Closer examination reveals that the official rate of unemployment is particularly high in smaller municipalities, and greatly differs from one municipality to the other (4.4% for Biskupice, 20.9% for Utechov). However, the Jevíčko area exhibits a lower average unemployment rate (8.9%) as compared to the Moravská Třebová area (14.2%). The Moravská Třebová area is mainly characterised by the presence of traditional sectors such as textiles and the building industry, which are undergoing either severe restructuring or recession. The large numbers of job seekers in the building trades highlight the

depressed character of the local building industry (which gives rise to seasonal movements of workers to other regions where activity is stronger).

Table 6. Unemployment in MTJ and Svitavy district

	February 2001		April 2001	
	Total	%	Total	%
	Unemployment	Unemployment	unemployment	unemployment
Moravská Třebová	1 524	14.7	1 370	13.2
Jevíčko	286	8.8	263	8.1
Svitavy	1 719	11.0	1 616	10.4
Policečko	893	9.4	784	8.3
Lýtomysl	1 052	9.6	927	8.5
Svitavy District	5 474	11.1	4 970	10.1

Source: Czech Statistical Office and Svitavy district labour office

Other key features for unemployment in MTJ are the very high levels of long term unemployment. In September 2000, over 3 000 people in the Svitavy District were recorded as being unemployed for more than 6 months, and over 1 000, for more than 2 years. The percentage of long-term unemployed (more than 6 months) was 40 per cent in 1998 and now approaches 55 per cent. There is significant unemployment among people over the age of 40. Almost one-third of the unemployed in MTJ are over 45 years old, with little likelihood that they will acquire skills for new employment. This group is likely to find it difficult to adjust to the realities of a market economy and will need considerable help to acquire the know-how necessary to search for employment. Furthermore, this group is likely to have only basic or vocational level qualifications. On the other hand there is a fairly rapid turnover of unemployed people at the shorter-term end of the scale. Only 9 per cent of the unemployed were recent school leavers.

Inter-dependent conditions

The overall situation reflects several inter-dependent conditions: decline of the agricultural sector and of the textile industry, reduced capital investment, low purchasing power of inhabitants and low wages due to low skill levels in sectors where the average wage is also low. Agriculture, which employed 30 per cent of the labour force in 1980, employs less than half that figure today. The textile industry still represents about 40 per cent of industrial employment, in spite of international competition and rising costs. The average wage is lower in MTJ by about 7 per cent than in the Svitavy district as a whole,

12 per cent below that of the Pardubice region, and by more than 20 per cent lower than in the Czech Republic. Local industrial wages are 20 per cent below national averages, but agricultural wages are only 7 per cent lower. Low wages alone are obviously not enough to attract firms to MTJ. Rural communes, where job losses in agriculture have been greatest, also suffer from transportation problems, making it more difficult for inhabitants to find work in a wider area.

Nevertheless, there is a demand for labour, often going unmet even among skilled workers. The ratio of unemployed persons to vacancies is 7 to 1 (see chart in Appendix). There are vacancies for people with skills found among the unemployed, suggesting that there may be problems with qualifications, the level of wages being offered, and/or transport accessibility. In sectors such as cleaning, catering or food processing, small employers do not experience difficulties in finding new staff from the unemployment register but seldom find people with the necessary skills or attributes. Indeed many new employees tend to stay in their jobs only for a short period of time. This appears to be the case despite extensive efforts to engage unemployed people in training programmes that are linked with existing vacancies.

The low wage levels in MTJ seem to introduce a distortion in the fluidity of the labour market. In comparison, unemployment benefits and social security benefits (after 6 months of unemployment) appear high relative to these. A worker may find that the social benefits are close enough to what he might earn as to dissuade him from seeking a job (high benefit level = lack of incentive for active job search). Social welfare, sickness benefit and disability pension systems may encourage high levels of absenteeism among workers. Moreover, if the costs involved in travelling to work, buying appropriate clothing and paying income taxes are taken into account, the incentive to accept job offers could be limited for many. Nevertheless, there is turn-over: in April 2001, 779 people were newly registered as unemployed in Svitavy District, but 946 left the register. Statistics are not kept on what happens to people who leave the register, and therefore it is not possible to know whether their employment is short term, or longer, how many leave the region, or find "grey market" jobs, or simply withdraw from the labour market.

Summary

The overall situation of the micro-region MTJ exhibits several inter-related weaknesses that tend to hinder balanced economic and social development. Despite the decrease in employment in agriculture, a large share of the active population is still employed in traditional sectors that are slow growth sectors offering mostly low paid jobs. On the other hand, educational attainment and level of training does not easily authorise filling of certain existing vacancies that require a higher level of qualification. Moreover, weak relationships between the local labour office and entrepreneurs do not facilitate identification of recruitment needs nor facilitate actions taken to reduce the high unemployment rate and particularly the level of long term unemployment. The geographical spread of schools and learning establishments is satisfactory but there is a problem in qualification of certain teachers and lack of communication with the private sector to adapt curricula to job market needs.

The declining birth rate, associated with a high death rate and inadequate health care infrastructure, implies a gradual ageing of population. In addition, a lack of appropriate housing and the high cost of new construction as well as limited employment opportunities for young households exacerbate the decrease in total population and refrain inward migration. In spite of these characteristics, the micro-region is endowed with some important assets. Its low population density and a high-class environment associated with a rich cultural heritage are required bases for the development of tourism, although training and existing lodging infrastructure seriously need to be developed. The optimised local network of bus transportation, also offering good links outside of the area, must be underlined. Lastly, an increasing number of enterprising entities, with the implementation of new businesses in certain high growth sectors such as computer software or precision engineering, represent a positive trend.

APPENDIX TO CHAPTER 2

Table 7. Recent demographic trends in MTJ municipalities

Municipalities	Pop. 1998	Pop. 2001	% change	Youth ratio '98	Youth ratio '01	% change
Bezděč u Trnávky	228	238	4.4	102.6	113.5	10.6
Borůvov	156	164	5.1	94.3	96.9	2.8
Děteňov u Moravské Třebové	227	219	-3.5	67.3	102.4	52.0
Dlouhá Loučka	539	563	4.5	155.3	169.4	9.1
Gruha	161	160	-0.6	61.1	64.9	6.1
Jamůvsky	57	41	-28.1	10.5	23.1	119.2
Koruna	127	132	3.9	79.3	92.6	16.7
Křenov	412	425	3.2	130.7	98.7	-24.5
Kunčina	1 192	1 175	-1.4	121.9	117.1	-3.9
Linhartice	600	607	1.2	165.2	138.3	-16.3
Malíkov	95	104	9.5	145.5	164.3	12.9
Městečko Trnávka	1 572	1 484	-5.6	121.5	113.4	-6.7
Mladějov na Moravě	464	481	3.7	85.9	83.8	-2.5
Moravská Třebová	11 702	11 662	-0.3	104.1	97.5	-6.3
Radkov	143	122	-14.7	66.7	68.2	2.3
Rozstání	219	227	3.6	113.9	124.3	9.2
Rychtov na Moravě	594	594	0.0	94.4	80.5	-14.7
Staré Město	993	989	-0.4	146.6	142.3	-2.9
Třebušov	1 014	1 009	-0.5	113.7	120.0	5.5
Utěchov	188	205	9.1	130.0	170.4	31.1
Vranová Lhota	523	510	-2.5	146.4	135.4	-7.6
Bělá u Jevíčka	376	383	1.9	44.7	47.6	6.5
Boškovice	458	445	-2.8	103.8	102.7	-1.1
Březina	401	386	-3.7	71.6	60.6	-15.3
Březinky	166	143	-13.9	94.6	69.4	-26.6
Chomce	828	831	0.4	124.8	127.1	1.8
Hartinkov	77	68	-11.7	29.2	20.8	-28.6
Jaroměřice	1 255	1 271	1.3	90.5	97.5	7.6
Jevíčko	2 801	2 842	1.5	124.4	121.2	-2.5
Slatina	113	113	0.0	61.3	64.5	5.3
Viska u Jevíčka	145	199	9.7	119.2	107.7	-9.7
Vrážně	71	67	-5.6	45.8	71.4	55.8
Vysoká	39	36	-7.7	62.5	29.4	-52.9

Source: OECD from Census 2001, Czech Statistical Office

Table 8. Employers of 50 employees and more in MTJ

Company name	Location	Field of activity	Employees
ZD	Mestečko	Agriculture and Forestry	102
Drupok Svitavy a.s.	Trnávka		74
Agroa	Staré Město		81
Hamácké obchodní družstvo	Jeviško		109
ZEMOS s.r.o.	Křetov		54
Agro a.s.	Kunčina		76
Zemědělské družstvo	Městečko		115
Zemědělské družstvo vlastníků	Trnávka		58
CELLUTEK, a. s.	Jeviško	Wood processing	122
ALLKO s. r. o.	Kunčina		59
Ing. Jan Matoušek – AGROSTAV	Jeviško	Construction	141
Moravskotřebovský stavební podnik a.s.	Moravská Třebová		94
J&S s.r.o.	Moravská Třebová		54
Miroslav Ditt	Moravská Třebová		78
GILLETTE CZECH s. r. o.	Jeviško	Machinery	554
METRA BLANSKO, a. s.	Moravská Třebová		136
Armaturka Vranová Lhota, a. s.	Moravská Třebová		164
TONER s. r. o.	Moravská Třebová		207
ABNER a.s.	Moravská Třebová		121
Kras Chomice a. s.	Chomice	Textile industry	68
MARS s. r. o.	Jeviško		56
ASCI s. r. o.	Jeviško		544
KRAS HAKA a. s.	Moravská Třebová		228
HEDVA a. s.	Moravská Třebová		600
OR – CZ s.r.o.	Moravská Třebová	Computer Software	82
Roman Řehořek – GENESIS	Chomice		58
REHAU s.r.o.	Moravská Třebová	Plastic products	113
Rohtechnik spol. s.r.o.	Třebarov		76
VHOS a. s.	Moravská Třebová	Water treatment	226
MILTRA B, s. r. o.	Městečko		177
Moravec - pekářny, s. r. o.	Trnávka	Food processing	136
	Moravská Třebová		

Source: Labour Office, Svitavy

Table 9. Unemployment and Vacancies by Occupation April/May 2001

Occupation	Number of vacancies	Number of unemployed people	U/V ratio
Building industry operatives	7	178	25.4
Shop assistants	8	80	10.0
Cooks / waiters	12	46	3.8
Administrators	4	77	19.3
Technicians – textile, machinery, construction	-	52	n.a
Agricultural employees	-	31	n.a.
Metal workers	11	30	2.7
Electro-mechanics	-	59	n.a
Dress makers, sewing machinists, weavers	26	26	1.0
Food industry operatives	10	10	1.0
Other occupations	19	-	0.0
ALL OCCUPATIONS	86	589	6.8

Source: Svitavy Labour Office

NOTES

1. The other micro-regions are Svitavsko, Litomyšl, Policko and Brněnec.
2. In some cases property rights are still unresolved. This problem occurs above all in the northern part where many state farms were located due to the fact the area had been resettled after the Second World War.
3. *Source:* Municipality of Moravská Třebová
4. Statistics Office of Pardubice.
5. *Source:* Svitavy office of the Ministry of Agriculture.
6. CSU collects statistical data down to the level of the district only, on the basis of a sampling of hotels.
7. The preceding hotel classification system was abolished in 1993 and has not been replaced by another public or volunteer system permitting easy identification of category, level of comfort or services and price range.
8. From a local survey conducted for the Strategic Plan of Development of the MTJ micro-region by DHV CR sro, October 1999.

CHAPTER 3

LOCAL GOVERNANCE

Introduction

Present competencies of municipalities in the Czech Republic are undergoing important change. Designated cities and towns already hold by delegation a certain number of state powers (civil registry) performing these also for adjacent smaller towns. With the disappearance of the district, this movement is being reinforced, a selected number of bigger municipalities being called to accomplish so-called third level competencies. On the other hand, the staffing of municipalities remains an area of concern, particularly in the smallest ones. Some have no employees and many do not have enough personnel. The level of qualification is generally considered insufficient and present reforms at the national level seek to modify this situation. Training is being decentralised at the regional level with the purpose of facilitating better qualification of municipal personnel as well as that of staff for the new regional bodies.

While these evolutions are taking place, as one of the answers to municipal fragmentation (the other one, voluntary, being the creation of micro-regions), the Czech tax system is also being modified. Several reforms have taken place since the beginning of the nineties, the latest one, decided at the beginning of the year 2000 (and applied since the fiscal year 2001) aiming to reinforce equalisation mechanisms. This chapter reviews the situation of the MTJ municipalities in this context, both in terms of competencies and staffing and also on the basis of budgetary resources and expenditures. Comparisons are made with national trends and averages using various financial indicators. Such a review brings into focus the financial capacities of municipalities that remain important as compared with those of the MTJ micro-region association (see Chapter 4).

Institutional framework

Undergoing reform

At the local level, recent decisions aim to facilitate implementation of policies in the field of social cohesion and economic development, without significantly reducing the number of small municipalities, which had increased since 1990, when communes disintegrated on a large scale. A number of the original smaller localities were then separated by referendum from the central commune, became autonomous and elected their own council. As a result, between 1990 and 1994 the number of communes grew by almost a third with a high proportion of small and very small communes. In 1999 the territory of the Czech Republic was divided into 6 244 communes, of which 27 per cent had fewer than 200 inhabitants.

Ratios for the Pardubice Region and for the Svitavy District are only slightly greater but in the case of the MTJ micro-region, the number of smaller communes is close to 10 per cent higher than average.

Table 10. Communes in the Czech Republic, 1999

Territory	Number of communes		Percentage of communes with up to 200 inhabitants	
	Total	Up to 200 inhabitants	In the number of communes	In the number of inhabitants
Czech Republic	6 244	1 744	27	2
Pardubice District	453	127	28	3
Svitavy District	113	33	29	4
MTJ micro-region	33	12	36	5

Source: Pardubice University, Background report.

Elected municipal councils in bigger towns are now responsible for certain state administration tasks, with the objective of accomplishing these as close to the citizens as possible, while improving efficiency in their delivery. These municipal councils are to be entrusted with a relatively broad scope of state administration tasks extending to the inhabitants of adjacent communes. Aggregates taking into account specific local conditions are being defined according to catchment areas based on transport accessibility. Three hundred and eighty three designated municipalities have been delegated such responsibilities. Moravská Třebová is one of these. Once districts have

disappeared, the number of communes holding such third level responsibilities will be reduced to less than 200.

Present competencies of the Svitavy District and the MTJ micro-region

At present, the *Svitavy District Office* has the following powers concerning first-instance state administration decisions:

- Appeals against decisions of municipal councils entrusted with state administration tasks,
- Overseeing state administration in selected communes,
- Establishing public utility organisations,
- Co-ordination of emergency activities (for example, environmental and natural disasters).

The communes in the Moravská Třebová - Jevíčko micro-region can be divided into several categories in terms of their current state administration powers:

- Communes with first-degree competencies: organise elections to councils of all levels and conscription. No communes in the micro-region correspond to this category.
- Communes with second-degree competencies in housing and construction. Concerns two towns:
 - * Jevíčko, with competence over 10 other communes;
 - * Moravská Třebová, with competence over 21 other communes.
- Communes with second-degree competencies for birth and death records. Concerns three towns:
 - * Moravská Třebová, with competence over 17 communes;
 - * Jevíčko, with competence over 12 communes;
 - * Městečko Trnávka, with competence over 4 communes.

Not surprisingly, the broadest powers are held by the Municipal Councils of Moravská Třebová and Jevíčko. The Ministry of the Interior has proposed that the town of Moravská Třebová be entrusted with an expanded scope of state administration for the whole micro-region (with competence for all communes). This would directly address the issue of public administration in communes with up to 200 inhabitants (12 in MTJ) and in particular in those with less than 100 inhabitants (4 in MTJ), that cannot afford to have adequate staff. The state administration functions that people most often seek, which might be delegated to bigger municipalities in a given area, include social security benefits, the civil registry, the issuance of identification cards, passports, building permits and trade licences

Organisation and functioning of municipalities in MTJ

Basic issues

The framework of local government staffing and future evolution

As previously mentioned, certain municipalities in the Czech Republic have been entrusted with state government tasks performed also in favour of citizens living or businesses located in adjacent areas. This concerns in particular housing and construction matters and civil registries. In all cases, corresponding transfer of financial resources to the municipalities concerned is ensured, but each town is free to organise the delivery of delegated services, as it deems best. In particular, there are no specific rules or ratios as to the number of employees. Conditions of recruitment and level of qualification remain pretty much at the discretion of the municipality at this stage.

The planned reform of the civil service system, both national and territorial, will establish rules and guidelines for recruitment, qualifications, training and career evolution. A second major change should occur when the present District offices are dissolved. Some district employees will be recruited by the NUTS III regions and others by municipalities. Due to their generally good level of qualification and experience, these employees could be instrumental in improving the overall quality and competence of municipal administration within smaller towns and communes. This of course supposes that recruitment conditions and salaries be identical or very similar between municipalities and regional organisations and that the formers have enough resources at their disposal to recruit the qualified employees made available.

The present situation of municipal staffing in MTJ

Besides the above-mentioned tasks delegated to certain MTJ communes, all municipalities have the following mandatory responsibilities:

- Education: pre-primary and basic 9-year schools
- Health: primary health and secondary hospitals
- Security: local police
- Welfare: public housing, nursing homes for the elderly
- Public utilities: water supply and treatment, natural gas supply, heating
- Infrastructure: city planning, maintenance of local roads, transportation
- Environment: sewerage and treatment, street cleaning, garbage collection and treatment of solid waste
- Culture and recreation: local libraries, sports parks.

The Association of Municipalities has taken up some of these responsibilities, particularly in the field of infrastructure and public utilities but important competencies still remain within the hands of individual communes. Bearing in mind the delegated responsibilities of certain municipalities and the important competencies that have not been specifically entrusted to the association, the overall staff of many municipalities seems rather low, as indicated by the following chart.

This chart clearly shows that the great majority of municipalities have far less than five employees, many having only two or three and close to half none. In these cases work is done by mayor or if necessary accomplished by a bigger municipality. The level of qualification of employees in the smallest municipalities is certainly quite basic and not necessarily adapted to the social and economic challenges brought forward by efforts to regenerate a rural area. Such a situation clearly illustrates the problems concerning the administration and development of the smallest communes which have prompted state authorities to take fiscal measures to encourage amalgamation, albeit with limited success up to now. The other answer to this problem obviously lies in the powers and specific dynamics of the micro-region.

Table 11. Employees in municipalities in the MTJ micro - region

Municipality	Number of employees
Buskupice	3
Brezina	2
Brezinky	1
Dlouhá Loučka	1
Chornice	3
Jaroměřice	2
Jevíčko	20
Křenov	2
Kuncata	2
Lanhartice	2
Městecsko Trnávka	3
Mladějov	4
Moravská Třebová	34
Rychnov	2
Staré Město	3
Třebarův	2,5
Ústehov	1
Vranova Lhota	2
15 other municipalities	Zero
Towns in italic: delegated responsibilities	
Source: MTJ association of municipalities	

Structure and functioning of the main municipalities

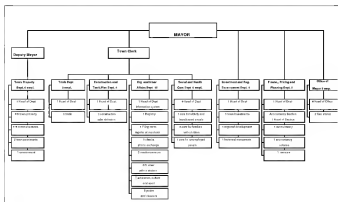
Moravská Třebová

Representing more than 40 per cent of the micro-region's population and holding second degree competencies in various areas, Moravská Třebová's municipality has a total staff of 34 employees, as compared with 20 for Jevíčko, whose population is four times smaller. The municipal office in Moravská Třebová is roughly divided, as far as employees are concerned, in comparable proportions to accomplish the three following functions spread over 7 different departments:

- Economic development: 10 (Trade Department, Construction and Territorial Planning, Investment and Regional Development);
- Social activities and management of town real estate: 12 (Social and Health Care Department, Town Property);
- Administrative and financial affairs: 15 (Organisation and Inner Affairs Department, Finances, Pricing and Planning Department);
- The Office of the Mayor comprises 3 people,

The structure of the municipal office is organised as indicated in the following chart, with the mayor having direct responsibility over investment and financial matters:

Figure 3. Structure of Municipal Office in Moravská Třebová



Source: Municipality of Moravská Třebová.

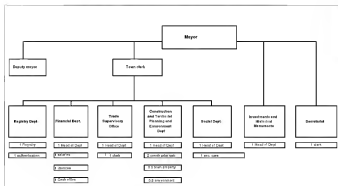
The overall organisation of the municipality, its functioning and its communication modes have been reviewed by advisers from the Dutch twinned city of Vlaardingen¹ who have made specific proposals to improve its efficiency. As far as the initial findings are concerned, the following can be mentioned:

- Necessity to clarify the tasks that the municipality has to perform within the micro-region,
- Investigation of possibilities of better separating state and municipal tasks,
- Necessity to change management methods, with a broad consensus on this item and agreement to secure proper budget and training for that purpose,
- Recognition that the culture of the organisation must change to adapt to 21st century Europe,
- Room for improvement in terms of internal communication,
- Usefulness in acquisition of modern financial management techniques by certain employees (procurement policy, multi-annual budgetary planning).

Jevičko

The Town of Jevičko, with a municipal staff of 20, is proportionally to population better equipped than Moravská Třebová. On the other hand no audit of the organisation and the functioning have been conducted but indications are that qualification of staff needs to be improved through training.

Figure 4. Structure of Municipal Office in Jevíčko



Source: Municipality of Jevíčko

Communication and image issues

There is at this stage no micro-regional communication tool, although there are plans to implement a local Internet portal. Communication remains at the level of the municipality. In the case of Moravská Třebová there exists a monthly free bulletin called "Echo Zpravodaj"(circulation 4 500) that is distributed to households, with similar content on the municipal website. It contains information on major events in town as well as cinema and theatre programmes. It is entirely financed by the municipality.

Adequate internal and external communication is essential for the proper functioning of organisations, public and private, big or small. Smooth, participatory internal communication helps to enlist effective support amongst employees and reduce or suppress certain potential conflicts, by simply explaining policies pursued. The same is true for external communication, particularly if ambitious goals of a new nature are pursued, with success resting in part on support from civil society and proper media coverage. Building an image that can be helpful to attain these goals is important not only for inhabitants but also for regional and national authorities as well as investors.

These basic rules obviously apply to municipalities, at least those whose size and resources allow them to pursue certain specific economic development goals but also to municipal groupings. Bearing this in mind, the major municipalities in MTJ suffer from a deficit in communication that was analysed, as far as Moravská Třebová is concerned, by the experts from Vlaardingen. In this last case they underline the absence of a communication adviser in the municipality, who could also be an official spokesman. The Association of municipalities of the micro-region, which has dedicated its efforts to organising and implementing different development projects and finding the necessary financial resources, has not yet paid attention to communication and image building.

These observations remain true for the new media. Municipal websites (Moravská Třebová and Jevíčko for the time being) are only in Czech and there is no Internet site yet for the Association of the micro-region. Likewise, the information (in Czech) on the micro-region available on the Pardubice Region website is limited to the co-ordinates of the Moravská Třebová town hall acting on behalf of the association. This means that localising MTJ and understanding its development potential is an arduous task even for a Czech investor. The same remarks can be made in the field of tourism, with no information on the micro-region on the Czech Tourist Authority website (www.visitczechia.cz), but only basic information on the main town plus the co-ordinates of the Tourist Information Centre.

Territorial allocation of funds

Main financial indicators of municipal budgets in the Czech Republic

The different levels of local government participate in the financing of a growing amount of public expenses. In the last few years in the Czech Republic the powers and the responsibilities of the communes have been expanding for the financing of public needs. There is also a tendency to make the communes financially more autonomous. If budget expenditure grows, the total budgets must also grow. The highest percentage of these revenues is from taxes (approximately 60%) and subsidies (around 23%). The rest consists of non-fiscal revenues. Local government resources are equivalent to about 10 per cent of GDP.

Table 12. Structure of local government budgets Czech Republic, 1995-2000

In % of GDP

Operation	Budget Executed							Bdgt Est.
	1993	1994	1995	1996	1997	1998	1999	2000
Total Revenue	9.2	9.5	9.4	10.4	8.7	8.7	10.2	9.3
Tax revenue	3.8	4.6	4.9	4.5	4.6	4.6	4.7	4.8
Shared tax revenues	2.8	4.1	4.6	4.1	4.1	4.2	4.3	4.3
"Own" taxes ^a	0.9	0.5	0.4	0.3	0.5	0.5	0.4	0.5
Transfers from State & State Funds	2.8	2.6	2.5	3.9	2.1	2.1	2.3	2.1
Capital revenue	0.8	0.5	0.4	0.5	0.5	0.5	1.7	0.7
o/w privatisation	0.6	0.5	0.3	0.5	0.3	0.4	0.3	0.0
Other non-tax revenues**	1.9	1.7	1.6	1.5	1.5	1.5	1.6	1.6
Total Expenditure & Net Lending	8.9	9.5	9.6	10.9	9.0	8.7	9.2	9.8
Current Expenditure	5.8	5.9	5.9	7.5	6.0	5.9	6.4	6.6
Capital Expenditure	3.2	3.5	3.6	3.3	3.0	2.9	2.9	3.1
Bal. incl. privatization receipts	0.2	0.0	-0.2	-0.5	-0.3	0.1	1.0	-0.5
Bal. excl. privatization revenue	-0.4	-0.4	-0.5	-0.9	-0.6	-0.3	0.7	-0.5

^a includes estate tax^{**} includes entrepreneurial and income from property

Sources: Ministry of Finance, World Bank (Expenditure Review of the Czech Republic, March 2001)

Breakdown of these revenues and corresponding expenditures between 1994 and 1999 is the following:

Table 13. Selected financial indicators of municipal governments

Billion of Czech crowns

Year	1994	1995	1996	1997	1998	1999
Total revenues	92.8	106.8	114.6	123.9	137.9	169.4
Tax revenues	45.3	58.4	62.8	65.5	72.1	75.7
Total expenditures	95.5	110.8	123.5	129.2	136.3	150.0
Capital expenditures	32.1	39.1	43.1	42.1	41.3	45.5
Debt (loans, bonds, other)	14.3	20.3	28.3	34.4	39.0	40.0
Rate of inflation %	10.0	9.1	8.8	8.5	10.7	2.1

Note: Exchange rate of Czech crown (CZK) has been over the last ten years relatively stable. Currently: 35 CZK=1 EUR.

Source: Ministry of finance, Kameníček, 2000, Czech Statistical Office (inflation)

The budget revenues of individual communes comprise:

- revenues from community property and property rights;
- revenues from local fees;
- tax revenues or portions thereof;
- administrative revenues, including revenues from state administration tasks with which the commune is charged, such as fees for administrative acts, as well as fines or levies imposed by the commune;
- revenues from community business operations;
- revenues from business activities of corporations established by the commune;
- subsidies (from the state budget, state funds and the region);
- repayable funds (loans, credits);
- cash donations and contributions.

Expenditures

Czech local government expenditures since 1990 have been characterised by a high level of capital investment, particularly in the field of basic public infrastructure. Indebtness rose sharply until 1997 and seems to have slowed down since.

a) Capital investment

The main development priority of many Czech municipalities is still investment into neglected or even non-existent infrastructure. On average, municipalities allocated nearly 40 per cent of their budget to investment during the period 1993 to 1998. This figure represents about 3 per cent of the Czech GDP and is quite high in comparison with other countries. Investment in infrastructure is a clear priority of local government in the Czech Republic. In contrast, the activities of municipalities in Western European countries are concentrated much more on "softer" measures such as the development of human resources, including job creation and the support to businesses (Blazek, 1999).

Moreover, the high investment activity of Czech local governments has been encouraged by three other factors². Firstly, the central government used to declare certain priorities in the sphere of local investment (e.g. wastewater treatment plants or houses for the elderly) and offered significant capital grants as an incentive for municipalities. Secondly, after a few years of economic turbulence at the beginning of transition, banks started to consider local governments as relatively stable and credible, low risk subjects. Consequently, banks focused their attention on local governments and some even developed special financial products (*i.e.* softer conditions for loans provision, more favourable interest rates, etc.). Thirdly, in the first half of the 1990s, municipalities got used to annual significant increases of their revenues in real terms (approx. 10% a year) which contributed to a pro-investment atmosphere.

Besides, in 1999, municipalities decided to sell their shares of regional energy companies because impending privatisation threatened to depreciate share value. The financial resources gained from this one-off sale were often earmarked for investment activities. At the beginning of transition towns and municipalities focused predominantly on construction and maintenance of infrastructure and were selling real estate. At the end of the 1990s, municipalities and towns started also to buy and develop property, especially new industrial zones. Finally, it should be stressed that over the last several years the sum of investments of local governments equals or even exceeds (depending on the years) the capital expenditures of central government. For example in 1999, capital expenditures of the central government (after exclusion of investment grants to local governments) amounted to 42 bln CZK, while capital expenditures of local government reached 45 bln CZK.

b) Municipal debt

While in the first years of transition local governments recorded budget surpluses, in the middle of the 1990s municipal debt grew steeply. This gave rise to central government concern. In 1997, due to economic crisis and instability of financial markets, the Czech government decided to discourage municipalities from taking new loans. This was done mainly in the form of a government resolution, which conditioned the provision of state grants by "healthy" municipal financial management with in a maximum ratio of 15 per cent for debt service. This slowed down the steep increase of municipal debt. However, the recorded stabilisation of volume of municipal debt between 1998 and 1999 should be interpreted with caution because of the one-off sales of energy company shares. In 1999, debt represented 53 per cent of municipal tax

revenues, which corresponds to 2.2 per cent of GDP and about 20 per cent of the state debt³.

Tax revenues of Czech communes

At the beginning of the period opened by the collapse of communism, local authorities received new competencies performed before by state government. Even before the tax system could be adapted, the transfer of competence had to be paralleled by a transfer of financial resources to local government⁴. Therefore, at the beginning of transition the main resources of local government were non-fiscal, about 70 per cent of total financial resources of local government being received in the form of grants.

In 1993, a radical reform of local government financing was executed in order to increase the percentage of revenues that local governments generated from their own jurisdictions. The core of the reform was that revenues from personal income tax were allocated to local governments. This reform resulted in considerable disparities among the districts and municipalities in per capita tax revenues due to differences in their tax base. The system was rather complex, with a strong equalisation mechanism operating among the municipalities within the districts on a per capita principle.

A third period started with the reform of 1996 and lasted until December 2000. The rationale for the 1996 reform was threefold. Firstly, the revenues allocated to local governments were growing more swiftly than the revenues allocated to the state budget. The share of the state in public budget revenues was shrinking although its responsibilities were not decreasing. Secondly, there were considerable disparities among the districts (and larger disparities among the municipalities) in per capita tax revenues according to local economies. These disparities were contrary to the principle of guaranteeing a similar level of public services throughout the state. In addition, these were considered unjust because local authorities had no power to set the rate of income taxes. Thirdly, the government intended to stimulate municipalities to promote more actively employment and economic activities.

The main element of the reform was the replacement of 40 per cent of revenues from the swiftly growing personal income tax by 20 per cent of stagnating revenues from business tax. At the same time the allocation criteria among the municipalities were also changed.

The impact of the system introduced in 1996 has been multifaceted. The strong equalisation mechanism operating among the municipalities within

the particular districts was weakened, whereas stronger equalisation mechanisms appeared at the inter-district level. Amongst the losers were the smallest municipalities, which usually have only limited employment opportunities and therefore do not receive the 10 per cent share of personal income tax allocated to the municipality according to plant location. This category also seldom benefited from the allocation of 100 per cent of tax revenues from personal income tax paid by small entrepreneurs to the municipality according to the entrepreneur's living place.

Table 14. Change of system of local government finances in 1996

System from 1993 up to 1995	System between 1996 and 2000
100% of revenues from personal income tax paid by employees working in the particular district, of which 45% were allocated to particular District office and 55% were distributed among municipalities within particular district according to per capita principle.	60% of revenues from personal income tax paid by employees working in the particular district, of which 30% are allocated to particular District office, 20% are distributed among municipalities within particular district according to per capita principle and 10% are allocated to municipality according to location of working places.
100% of revenues from personal income tax paid by small entrepreneurs allocated to municipality according to permanent living place of the entrepreneur.	Unchanged.
-	20% of revenues from business tax, allocated to all Czech municipalities equally according to per capita principle.
100% of property tax.	Unchanged.
Other income: local fees, loans, etc.	Unchanged.
Territorial equalisation grant (general grant).	Unchanged.
Special grants.	Unchanged.

Source: Blažek, 1999, Acts on state budget of the Czech Republic

In spite of this reform, towns and municipalities still had limited discretion over their tax revenues, except for property tax. Property tax is based not on market value of property but on its size and usage (housing, recreation, and entrepreneurial activity). With this system all municipalities are divided into 6 categories, according to their population and each is assigned a coefficient for determination of the tax. The coefficient increases with the population, rendering the tax 15 times higher in Prague than in the smallest municipalities. In addition, the coefficient can be different depending on the area such as town centre vs. outskirts. In spite of its flexibility the impact of the system introduced in 1996 remained limited, since the revenue of property tax

represents only about 2 per cent of total revenues (or 6% of tax revenues) of municipalities.

Due to the dissatisfaction with the previous model of local government financing, another reform was decided and came into effect in January 2001. The main rationale is to eliminate sharp and unjustified disparities in per capita tax revenues, which the municipalities cannot influence. Consequently, the new system is fully adhering to the principle of solidarity and rests in equal sharing of revenues of selected taxes on a per capita principle. The list of shared taxes includes the value-added tax, personal income tax and business tax. The share of towns and municipalities has been set at 20.59 per cent of total revenues of these taxes. The substance of the new system is an equal sharing of both parts of the personal income tax (paid by employees and by small entrepreneurs) and of part of the business tax and of the value added tax, equally by all municipalities on a per capita basis. For this purpose, municipalities are divided into several categories according to their population size. Each category is assigned a coefficient reflecting the fact that larger municipalities and cities are performing functions for outlying areas.

The new system also anticipates an increase in revenues from and discretion over property tax as well as larger discretion over local fees and their transformation into local taxes. Nevertheless, the incentives for municipalities to encourage employment creation and business support on their territories are still limited. One such incentive authorises municipalities to keep 30 per cent of taxes from personal income tax paid by entrepreneurs who are living on the municipal territory. Consequently, only 70 per cent of revenues from this tax are transferred to the central fund from where the share allocated for local governments (20.6%) is redistributed among towns and municipalities. The new system seeks to introduce greater equality between municipalities but discretion over taxes and fiscal autonomy remains limited.

The coefficients, derived from the previous level of average tax revenues in each size category of municipalities are intended to provide the economic stimulus to re-amalgamation of the smallest municipalities (See chart in appendix). According to the new system, there might be an advantage for tiny municipalities to amalgamate so as to reach higher coefficients assigned to larger municipalities. To encourage this the coefficient has been set deliberately lower than the previous average of tax revenues of these municipalities. However, the system provides incentive for amalgamation of "micro" municipalities but not for merger of smaller municipalities with larger ones because this last category would have less to gain.

Other sources of revenue of communes in the Czech Republic

Loans

Insufficient revenues lead some communes to take out bank loans and in some cases issue communal bonds. Loans serve mainly to finance reconstruction and to build technical infrastructure, especially transport, transition to natural gas and investments of an environmental nature, such as wastewater treatment plants or dumps for communal waste. Communes also use loans to reconstruct the housing stock or to build new apartments. Municipal debts are not regulated by the Government in any way.

Subsidies

An important source of income for municipal budgets consists in subsidies (19% of municipal revenues in 1999). At present communes in the Czech Republic receive subsidies from the state budget and from the budgets of the District Offices. These are contributions covering state administration costs delegated to the commune, departmental equalisation grants in various fields as well as territorial equalisation subsidies. These grants are divided into three categories of which only the first is non-discretionary⁵:

- *Categorical Grants* financing the full current cost of the central government responsibilities legally delegated to municipalities. In general, these transfers are distributed on a “per client” or “per head” basis and cover expenditures in the areas of social assistance and benefits, kindergarten and primary education, selected hospital and assistance institutions, fire brigades, and the execution of general government services, including registration and permits.
- *Other current grants.* Other subsidies are awarded at the discretion of the granting central government agencies and often require matching funds from the municipalities. These subsidies cover a variety of areas, including crime and drug-addiction prevention, environmental issues, as well as employment and development policies.
- *Capital grants* extended for a variety of purposes, including schools, hospitals, social care facilities, gas distribution, equipment of fire brigades, development of industrial zones, public transport, water and sewerage treatment plants. Municipalities also receive capital transfers from the State Environmental Fund. Capital grants are typically discretionary and almost all require matching funds.

From the viewpoint of municipal budgets the main providers of special-purpose grants and contributions are at present the following:

- *The Ministry for Regional Development, which concentrates its policy in particular on:*
 - a) *The Countryside Renewal Program*

This program finances infrastructure projects but also studies, consulting services and training. The first category includes renewal and maintenance of built-up areas and civil infrastructure, maintenance of public areas, renewal and build-up of green zones, reconstruction of local roads, construction of bikeways or pedestrian tracks and public lighting facilities. Support for preliminary evaluation of projects comprises preparation of urban studies and zoning plans, consulting in the area of countryside and village development, integrated rural micro-regional projects, and infrastructure.
 - b) *The financing of housing and construction in the following fields through dedicated programs:*
 - * rental housing;
 - * modernisation of the housing stock;
 - * repair of prefabricated houses;
 - * technical infrastructure linked to housing;
 - * nursing homes.
- *The Ministry of the Environment and the State Environmental Fund focus on programmes concerning:*
 - * protection of watercourses;
 - * protection of air quality;
 - * waste disposal.
- *The Ministry of Agriculture provides contributions for forestry management and subsidises:*
 - * support of the non-productive functions of agriculture;
 - * countryside maintenance;
 - * support of less developed areas.
- *The Ministry of Industry and Trade supports in particular the development of industrial zones.*
- *The Ministry of Culture implements projects aimed at protection and repair of cultural monuments.*

European Union resources, dedicated to a specific purpose, need not constitute a revenue item in community budgets. They correspond to the following programmes:

- ISPA for transport and environmental infrastructure;
- SAPARD for agricultural and rural development;
- PHARE, the equivalent of ERDF structural funds for EU membership candidates.

Although subsidies represent an important resource in municipal budgets, their share has been gradually diminishing. This is due to changes in the tax system and to the increase of community revenues derived from other sources. Communes encounter a number of problems in connection with state subsidies. In particular, there is no integrated set of suitable criteria for a more equitable allocation of discretionary grants. The actual allocation of discretionary grant transfers, including the criteria for eligibility and award is not always transparent. Until recently, there was little visibility on how the system worked with no publication of lists of subsidy recipients. This is now changed and details on amounts and beneficiaries of government subsidies are available on the Ministry of Finance's website (www.mfcr.cz).

Furthermore, discretionary grants have been a rather unstable source of revenue for local governments, which in turn has damaged their ability to plan and budget their expenditures in an efficient manner. Funding practices for specific transfers may have created negative incentives for revenue mobilisation at the local level if the central government is perceived to have reduced the level of discretionary transfers any time that local governments increased their own revenues⁶. Besides, communes have insufficient information about the existence of the individual subsidy programs and about ways of obtaining them and using them. No unified system has been developed to ensure easy access to up-to-date information about subsidies, grants and contributions. Such information is supplied individually, in particular through the Internet, by each ministry or entity within whose competence a given subsidy or grant falls⁷.

Main financial indicators for municipal budgets in the MTJ micro-region

Under the fiscal system applied up to the year 2000 included, analysis of budgets in MTJ municipalities do not show any specific pattern for per capita resources and expenses. On average, municipalities in MTJ tended to have lower tax revenue, lower subsidies and consequently lower total revenue than

country average (about 20% less). The same remark holds for expenses. Nevertheless there were large disparities among municipalities. Independently of size some municipalities exhibited values far over the national average such as Utechov⁵, Jevíčko and Moravská Třebová while other municipalities were situated far below national averages. With the fiscal reform, first available indicators seem to show that the new equalisation mechanisms are more effective, with MTJ averages tending to come closer to national levels. Thus in the case of Moravská Třebová redistributed fiscal resources increased by around 30 per cent.

Table 15. Municipal expenditures in eight municipalities, 2000

	% of total							
	Moravská Třebová	Městčko Tábor	Utechov	Jevíčko	Vinná Hora	Bukovice	Jaroměřice	Rudlov
Capital expenditure								
Road and communications	6.7	0.0	0.0	8.3	none	0.0	14.6	0.0
Sewerage and water supply	1.6	11.6	0.0	0.1	0.0	0.0	80.4	0.0
Basic schools	2.5	61.3	0.0	0.0	0.0	0.0	0.0	0.0
Preservation and restoration of cultural	19.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sports	9.4	1.4	0.0	0.0	0.0	0.0	0.0	0.0
Housing	26.4	25.2	0.0	80.6	0.0	22.9	0.0	0.0
Network of infrastructure	7.5	0.0	94.2	0.0	0.0	75.6	0.0	0.0
Social area	17.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other investment	8.1	0.4	5.8	10.9	1.6	4.9	100.0	0.0
Total	100.0	100.0	100.0	100.0	none	100.0	100.0	100.0
Running expenditure								
Road and communication	3.1	0.6	2.4	3.4	0.2	0.6	6.9	4.9
Public lighting	2.9	3.6	1.4	1.3	1.4	2.7	3.7	7.4
Cemetery	0.3	0.1	0.0	0.1	0.0	0.3	0.1	0.0
Collection of municipal waste	2.7	1.5	3.8	0.5	0.6	2.7	3.9	0.0
Village appearance, pub gardens	1.3	0.3	1.2	1.2	0.1	0.3	3.4	39.9
Contribution for transport services = pop * 60 in 2000	0.7	1.1	0.8	0.6	0.9	1.1	1.3	1.9
School expenditures	10.7	31.3	14.7	10.9	17.1	10.5	29.2	1.0
Library, cultural centres	5.4	9.5	3.5	7.8	0.3	0.5	4.7	0.2
Sports	3.2	0.1	1.9	1.2	0.8	0.0	3.9	0.7
Benefits and other social security	43.1	0.4	0.0	29.2	0.0	0.4	0.9	0.0
Fire protection	0.3	1.5	0.0	3.8	0.9	0.1	1.9	2.5
Local representation, city hall	1.3	4.7	5.1	1.8	8.5	4.9	7.4	14.6
Local admin. action	15.9	22.8	45.8	20.2	24.8	16.3	21.8	11.3
Repayment of credits	2.1	1.4	0.0	2.2	0.0	0.9	0.0	0.0
Loan grants and credits	1.6	0.3	0.0	1.8	0.0	58.1	0.0	9.0
Other premises expenses	5.3	20.9	19.2	14.1	44.5	0.5	10.9	6.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source / Association of MTJ Municipalities

Table 16. Average per capita budget resources and expenditures: Czech Republic, MTJ year 2000

Municipalities	Tax revenue		Total subvention		Total revenue		Running expenditure		Capital expenditure		Total expenditure	
	Nominal = 100		Nominal = 100		Nominal = 100		Nominal = 100		Nominal = 100		Nominal = 100	
Dělná u Jevíčka	2.9	31.9	0.5	12.1	5.4	31.2	5.5	45.2	0.1	1.5	5.6	30.9
Pecdět u Tmávk	3.5	38.9	4.2	122.2	9.5	55.2	10.4	84.2	0.6	10.2	10.9	59.9
Biskupice	2.8	31.8	<u>10.5</u>	269.8	20.2	116.7	2.4	19.2	22.6	392.0	24.9	136.8
Borušov	3.4	38.4	1.0	25.5	16.3	94.2	7.2	58.7	0.0	0.0	7.2	39.5
Březina	4.3	48.3	2.2	56.2	9.8	56.7	6.6	53.7	7.4	129.2	14.0	76.9
Březinky	2.7	30.6	0.3	8.2	3.9	22.8	2.7	21.9	1.1	18.9	3.8	20.7
Chornice	4.0	45.1	<u>15.0</u>	333.8	<u>19.9</u>	115.5	<u>14.3</u>	116.4	<u>18.2</u>	316.9	<u>32.5</u>	178.5
Děšňov	3.1	34.5	0.4	10.1	3.5	31.6	3.9	31.6	<u>12.3</u>	214.4	16.2	89.0
Dlouhá Loučka	2.6	29.1	0.5	13.4	4.1	23.6	4.3	34.9	1.3	23.1	5.6	30.8
Grana	3.9	43.4	1.8	45.6	<u>12.7</u>	102.4	10.3	83.7	6.9	121.4	17.3	94.7
Hartínov	2.9	32.8	2.9	74.3	6.5	37.4	6.3	51.1	0.3	4.8	6.5	35.9
Janůvek	3.3	36.7	0.2	4.1	3.8	22.3	3.9	31.7	0.1	0.5	3.9	21.5
Jaroměřice	3.1	34.2	<u>3.9</u>	102.2	9.4	54.2	7.0	57.0	4.4	75.8	11.4	62.3
Jevíčko	5.4	60.1	<u>63.2</u>	1621.3	<u>71.2</u>	411.6	<u>66.3</u>	539.8	4.3	75.0	<u>70.6</u>	387.3
Koruna	2.5	27.9	0.1	2.2	3.2	18.7	3.6	29.5	0.1	0.9	3.7	20.2
Křepov	2.8	31.8	1.7	43.9	9.3	53.8	7.2	58.5	0.5	9.3	7.7	42.4
Kunčina	3.3	36.5	0.5	14.2	3.2	30.2	3.3	27.1	0.3	4.5	3.6	19.7
Linhartice	5.3	59.3	0.6	15.4	11.8	68.4	5.1	41.7	0.9	14.7	5.9	32.7
Malíkov	2.7	29.8	2.9	74.7	6.9	39.9	7.7	62.9	0.0	0.0	7.7	42.4
Městečko Tmávka	3.4	38.5	<u>4.9</u>	127.3	12.2	70.7	5.5	45.0	<u>7.3</u>	127.3	12.9	70.5
Mladějov na Moravě	2.6	29.7	<u>4.9</u>	125.3	13.1	75.8	8.5	69.1	10.4	180.0	18.8	103.4
Moravská Třebová	5.7	64.3	28.0	718.7	<u>37.1</u>	214.5	32.2	262.3	4.1	71.0	36.3	199.1
Radkov	3.5	39.1	1.9	50.7	8.2	47.6	8.8	71.4	0.0	0.0	8.8	48.1
Rozstání	3.4	37.7	1.1	27.2	6.5	37.9	5.7	46.7	0.0	0.0	5.7	31.5
Rychbův na Moravě	5.4	60.9	2.8	72.6	15.84	91.6	8.5	69.2	12.6	218.6	21.1	115.7
Slatina	19.8	222.3	<u>13.2</u>	338.4	38.6	223.1	20.5	167.2	3.5	60.4	24.0	131.7
Staré Město	3.8	42.5	<u>7.9</u>	203.1	16.3	94.3	7.6	61.8	11.6	200.9	19.2	105.1
Třebův	3.0	33.8	<u>4.1</u>	110.9	13.1	76.1	7.9	64.6	3.8	66.7	11.8	64.6
Ústehov	17.5	196.3	11.8	303.0	32.5	188.0	16.9	138.0	9.3	161.2	26.2	143.9
Viska u Jevíčka	2.9	32.8	0.1	1.7	7.6	44.2	6.2	50.3	16.1	280.0	22.3	122.4
Vranová Lhota	2.7	30.2	1.5	38.8	5.8	33.5	6.9	56.0	0.2	3.4	7.1	38.8
Vrážně	2.9	32.9	1.2	31.2	7.6	43.7	5.4	44.0	0.9	16.4	6.3	34.8
Vysoká	3.9	43.7	2.7	70.5	7.8	44.9	10.6	86.5	0.4	6.6	11.0	60.4
MTJ micro region	4.7	53.3	20.1	514.7	28.3	163.6	23.5	191.5	5.1	89.2	28.6	157.2
Czech Republic	8.9	100.0	3.9	100.0	17.3	100.0	12.3	100.0	5.8	100.0	18.2	100.0
average MTJ	4.4	49.3	5.9	153.6	14.0	80.9	9.9	81.2	4.9	85.0	14.9	81.6

Notes:

- **Bold** = above MTJ average.
- *Italic and underlined* = above CR value.
- **Bold and italic** = above CR value and MTJ average.
- Unit = CZK1000 per capita.

Source: Association of MTJ Municipalities.

Up to the year 2000, in most cases, municipalities with over average total revenues received an over average level of grants. Similarly municipalities having over average total expenditures show over average capital expenditures (noting that there is no correlation between capital expenditures and subsidies). Nevertheless, due to their size and their administrative role, Moravská Třebová and Jevíčko have more grants, more revenue and more expenses per capita than others. Regarding the breakdown of expenses for eight municipalities (in bold in the following chart) again no specific pattern appeared. Capital expenditure was highly concentrated within each municipality: 80.6 per cent of capital expenditures are devoted to housing in Jevíčko, 80.4 per cent for sewerage and water treatment in Jaromerice. This can be explained by the fact that capital expenditures are not recurring and that major projects (schools, sewerage) may mobilise a very high proportion of resources a given year, with lesser investment the following years. The impact of big projects on the budget of small municipalities is thus greater. Similarly, running expenses mainly concern local administrative activities, excepted in Moravská Třebová and Jevíčko with a high level of benefit and social security expenses, corresponding to their third level role in these fields.

Tax revenues of the MTJ micro-region communes

The mean per capita tax revenues in the MTJ micro-region amounted to CZK 3 641 in 2000 and were thus lower by some 25 per cent compared with the preceding year (and slightly below the 1998 tax yield). Contrary to 1998 and 1999, communes of the Jevíčko area attained lower average tax revenues (CZK 3 132), while the mean tax revenues of communes located in the Moravská Třebová area of the micro-region were CZK 3 932. Compared with the tax yield attained in the Svitavy district and in the Czech Republic as a whole the tax yield in the MTJ micro-region communes is low.

Table 17. Tax revenues in communes in the MTJ micro-region, 2000

Type of tax	% of total		
	Moravská Třebová part	Jevíčko part	MTJ micro-region
Personal income tax	28.3	31.2	31.6
Corporate income tax	31.7	36.1	30.2
Entrepreneurial income tax	25.7	15.5	23.2
Real estate tax	14.3	17.2	15.0
Total tax revenues	100.0	100.0	100.0

- Personal income tax = tax on income and emoluments of employees.
- Corporate income tax = tax assessed on income of legal entities
- Entrepreneurial income tax = tax assessed on income of self-employed persons.

Source: Data supplied by communes of the MTJ micro-region.

In 2000 the structure of tax revenues of individual communes reflects the fact that the proportion of individual types of income remained essentially the same as in 1999 and 1998. It did not differ significantly between the two parts of the MTJ micro-region, with the exception of the entrepreneurial tax. The highest proportion of tax revenues of the communes in the MTJ micro-region comes from the corporate income tax (30.2%) and the personal income tax (31.6%).

Table 18. Income from taxes year 2000 and 1999-2000 % variations

Municipality	corporate tax	% change	Income tax	% change	Enterprise tax	% change	Real estate tax	% change	Total	% change	total per capita	% change
Bělá u Jevíčka	498	-5	309	12	54	-33	227	-2	1 089	-2	2 897	-2
Berzděti u Tmavky	271	-10	203	17	23	-80	281	1	778	-10	3 411	-10
Biskupce	339	-14	363	8	33	-2	325	-14	1 299	-6	2 751	-6
Borkov	191	-7	129	13	0	n.a.	211	5	533	2	3 414	2
Březina	473	-11	590	1	40	-59	326	17	1 429	-4	3 363	-4
Březinky	189	-14	121	-2	37	13	34	-38	382	-11	2 303	-11
Choronec	909	-17	961	21	647	-88	621	-49	3 137	-63	3 789	-63
Děčichov	287	-5	192	16	35	-96	219	-3	733	-36	3 228	-36
Dlouhá Loučka	648	-9	453	10	20	-35	265	11	1 386	-1	2 372	-1
Oronov	184	-14	138	6	41	163	228	13	591	5	3 670	5
Hartmanov	91	-11	62	9	0	-100	45	-29	198	-11	2 569	-11
Janůvky	65	79	43	-49	7	n.a.	56	111	171	16	3 004	16
Jaroměřice	1 516	-9	1 028	11	107	-94	760	9	3 420	-31	2 725	-31
Jevíčko	3 363	-9	5 463	18	2 867	-2	1 696	40	13 388	7	4 780	7
Koruna	154	-9	104	11	13	950	41	1	312	3	2 455	3
Křtšov	482	-12	372	6	38	-23	189	27	1 081	-1	2 624	-1
Kučina	1 440	-9	1 134	9	521	56	803	-1	3 898	4	3 271	4
Luhartice	714	-10	729	6	1 146	59	528	33	3 118	20	5 197	20
Malíkov	119	-6	85	102	3	-96	57	6	263	-9	2 766	-9
Měsáčsko Tmavka	1 877	-10	1 717	8	136	-68	1 442	-4	5 173	-8	3 291	-8
Mladějov na Moravě	562	-9	394	9	32	-59	241	-32	1 228	-13	2 647	-13
Moravská Třebová	13 987	-10	13 287	10	14 714	-18	3 806	-2	45 794	-7	3 913	-7
Radkov	164	-14	113	8	0	-100	208	57	484	12	3 387	12
Režstín	168	-42	194	15	23	742	368	41	733	4	3 439	4
Rychov na Moravě	694	-12	499	10	389	810	729	84	2 313	38	3 894	38
Slatina	139	-7	95	14	18	-71	94	-6	346	-12	3 064	-12
Staré Město	1 198	-9	1 037	8	388	-55	985	-1	3 608	-13	3 633	-13
Třebušov	1 199	-11	936	14	145	-14	517	8	2 799	-1	2 760	-1
Útěchov	225	-10	196	23	2 761	172	84	-7	3 266	116	1 737	116
Vitka u Jevíčka	157	-19	103	-8	1	n.a.	139	-26	399	-19	2 754	-19
Vranová Lhota	621	-10	561	10	0	-100	196	-16	1 378	-15	2 634	-15
Vražné	0	-100	59	16	89	-42	54	-49	204	-21	2 867	-21
Vysoká	47	-10	32	13	18	9.6	41	-18	138	-6	3 528	-6

Source: Association of MTJ Municipalities

The tax revenues per capita differ substantially among individual communes of the MTJ micro-region. In 2000 they varied from CZK 2 572 (Dlouhá Loučka) to CZK 17 371 (Útěchov) in the Moravská Třebová area and from CZK 2 303 (Březinky) to CZK 4 780 (Jevíčko) in the Jevíčko area. Slatina apparently enjoyed a non-recurring increase in administration and local charges. In 2000 tax revenues of individual communes of the micro-region, as reported by the municipalities, were as in the table above.

Subsidies received by the communes of the MTJ micro-region

It appears from a survey of individual communes that between 1998 and 2000 the municipalities of the micro-region received dedicated subsidies from individual funds amounting to CZK 110 million (some 3.2 million EURO) in the following proportions:

- 26.4 per cent for housing construction;
- 2.8 per cent for specific rural renewal projects and improvement of appearance of communes;
- 40.3 per cent for water and sewage systems;
- 18.1 per cent for renovation or repair of cultural monuments;
- 6.5 per cent for community services within ALMP policies
- 5.9 per cent for other projects, connected in particular with the supply of drinking water, forest renewal, reconstruction work after floods, road repair, monitoring of landfills and preparation of zoning plans.

Towns such as Moravská Třebová and Jevíčko, as well as some smaller towns paying social benefits to their inhabitants and those of adjoining communes, received corresponding subsidies amounting to some 94 million CZK. Moravská Třebová received from the Ministry of Industry and Trade a subsidy of CZK 6 million for the construction of an industrial zone and from the Ministry of Labour and Social Affairs an additional subsidy for reconstruction of a residential nursing home (11.5 million CZK a year).

The *Rural Renewal Program* finances a wide array of investment and operational expenses for projects in various fields. The following chart gives the breakdown between the categories of expenses, distinguishing those allotted to the micro-region from those received by individual municipalities. The share of subsidies received by the association of MTJ municipalities, still very symbolic in 1999 and 2000 (2.5% and 5.5%), became more substantial in 2001 (37.5%). This important increase is due to subsidies relating to financing of the cycling path network.

Table 19. Rural renewal program subsidies in MTJ micro - region

Action	1999	% of total	2000	% of total	2001	% of total
Reconstruction of buildings	300.0	10.9	73.0	5.7	0.0	0.0
Repair of municipal buildings	485.0	17.6	200.0	15.7	553.0	25.9
Reconstruction of town square	215.0	7.8	0.0	0.0	0.0	0.0
Repair of sports and cultural centres	451.0	16.4	281.0	22.1	200.0	9.4
Repair of water reservoir	0.0	0.0	30.0	2.4	0.0	0.0
Gas grid	75.0	2.7	200.0	15.7	523.0	24.5
Repair of local roads	848.0	30.8	346.8	27.3	0.0	0.0
Internet and media	300.0	10.9	70.0	5.5	60.0	2.8
Urban study	10.0	0.4	0.0	0.0	0.0	0.0
Paths and signs for cycle tourism in MTJ	0.0	0.0	0.0	0.0	700.0	32.8
Consultation services for MTJ Association	70.0	2.5	70.0	5.5	100.0	4.7
Total	2 754.0	100.0	1 270.8	100.0	2 136.0	100.0

Unit = 1000 Czk

Source : MTJ association of Municipalities

Summary

The present day situation of MTJ municipalities illustrates the pace of change in local government in the Czech Republic. An emerging micro-region on one hand and new regional structures on the other (see next chapter) modify the perspective for municipalities that are themselves undergoing internal change. The changes reviewed in this chapter concern bigger and smaller municipalities alike. As a response to municipal fragmentation but also as a consequence of the disappearance of the district level, medium size towns like Moravská Třebová are receiving new responsibilities to be performed also for adjacent smaller towns and communes. Around only 200 municipalities holding such third level responsibilities will remain once the process of regionalisation is fully accomplished. In this context, proper staffing of municipalities, in terms of number of employees and level of qualification, is essential. Basic requirements need to be fulfilled for the smallest and more efficient functioning is required for many others. A new system of training of

all public officials decided in April 2001 provides for decentralisation of training at the regional level and authorises private institutions to be accredited for this purpose.

Concerning the budgetary resources available to Czech municipalities, shared taxes and grants represent a high proportion of these. Redistribution mechanisms, depending on the size of municipalities, correct inherent inequalities resulting from big differences in the tax base from town to town, as compared with population and localisation of economic activities. The most recent reform in this field has introduced more balanced mechanisms concerning the entrepreneurial tax, that seem to have benefited a certain number of municipalities in MTJ for the first year of application (2001). As most other towns in the Czech Republic, those in the micro-region continue to devote a large share of their resources to investment expenditure for basic infrastructure. The level of indebtedness of towns in the micro-region is comparable to that of other Czech municipalities, which is substantially lower than in most OECD countries.

APPENDIX TO CHAPTER 3

Table 20. Coefficients for redistribution of tax revenues among municipalities, 2001

Czech Republic

Inhabitant brackets	no. of Munic	% distrib	no. of Citizens	% distrib	Approved Coeff.
<100	592	9.5	41 844	0.4	0.42130
101-200	1 166	18.7	174 254	1.7	0.53700
201-300	876	14.0	214 982	2.1	0.56300
301-1500	2 772	44.4	1 820 722	17.7	0.58810
1501-5000	567	9.1	1 452 584	14.1	0.59770
5000-10000	134	2.1	927 426	9.0	0.61500
10001-20000	66	1.1	929 334	9.0	0.70160
20001-30000	27	0.4	660 344	6.4	0.71020
30001-40000	11	0.2	371 306	3.6	0.74490
40001-50000	6	0.1	269 836	2.6	0.81420
50001-100000	17	0.3	1 252 788	12.2	0.84880
100001-150000	1	0.0	103 372	1.0	1.03930
150001-150000	3	0.0	875 260	8.5	1.67150
Prague	1	0.0	1 193 270	11.6	2.76110
Sum	6 239	100.0	10 287 322	100.0	12.6137

Sources: Ministry of Finance 1999, World Bank, March 2001

NOTES

1. Moravská Třebová is twinned with the Dutch town of Vlaardingen and also with Banská Štiavnica (Slovakia) and Stauffenberg (Germany).
2. The following developments on capital investment and municipal debt are from: Blázek, J. (2000): The system of Czech Local Government Finances as a Framework for Local Development, Department of Social Geography and Regional Development, Faculty of Science, Charles University, Prague.
3. See above-mentioned World Bank Public Expenditure Review.
4. The following developments on the evolution of the Czech fiscal system regarding local government are from Blázek 1999.
5. From the above-mentioned World Bank Public Expenditure Review
6. Analysis of the shortcomings of the discretionary grant system from the previously indicated World Bank Expenditure Review.
7. 'the most disempowering issue confronting local authorities is the plethora of legislation, on the one hand and the lack of knowledge of existing legislation on the other', Emdon (1997) in Legal constraints to local economic development at local government level. Friedrich Ebert Stiftung, Johannesburg.
8. Utechov was the only town in MTJ that greatly benefited from the entrepreneur tax perceived on basis of residence of entrepreneur and not localisation of activity. In 2001, under the new system, planned fiscal revenue of Utechov has fallen by around 60%.

CHAPTER 4

TERRITORIAL POLICIES

Introduction

Territorial policies in the Czech Republic are undergoing progressive but profound change. The emergence of the micro-region as a new level of economic development on the basis of the voluntary grouping of municipalities within a given area, to define and implement common policies and projects, was the first spontaneous answer to new challenges. The regional reform, situated in the context of EU accession, more recent, is redesigning the framework of spatial planning and economic and social development in the country. These two levels of territories, the first without direct administrative powers, the second a new administrative entity, are to become main partners in local development matters under the auspices of the state government and within the context of a National Development Plan (NDP) seeking balanced development of all regions. This emerging partnership is too recent to be able to yet have a true impact on local development but innovative strategies are emerging to integrate this new dimension.

Territorial policies deployed in MTJ, as is probably the case elsewhere in the country, now use the micro-region as a convenient reference but most initiatives still remain within individual municipalities. Although its share in overall expenditure remains modest in comparison with those of individual towns and communes, the number of micro-regional projects is increasing. The territorial policies presented in this chapter thus mostly reflect the efforts of municipalities to foster economic and social development, linking with the soon to disappear district level. In the areas of agriculture and industry dialogue is mostly between the district and the municipalities. In terms of social policies and housing infrastructure, the situation is pretty similar. The micro-regional reality is already more tangible in the area of transportation (although the district and soon the region are instrumental in these) and tourism.

In terms of policy, the present situation is one of transition. District offices are still active until they disappear at the end of 2002. Regional Development Agencies, some created before the regional reform, are supporting the development efforts of towns and micro-regions. Level and type of co-operation within micro-regions remains open, depending only on the willingness of members to develop common policies in certain areas, usually with the financial encouragement of national authorities. It is within this context of existing practices and new possibilities that the analysis of present policies is conducted. The main findings provide a basis for future guidelines seizing new windows of opportunity.

Policies in transition

Municipal co-operation in practice

Municipal co-operation and micro-regions in the Czech Republic

More than 200 associations of municipalities or micro-regions, voluntary groupings of communes, exist within the Czech Republic, with 24 in the Pardubice Region and 41 in the Olomouc Region. Created mostly for the purpose of promoting economic development in view of becoming main partners for the new regions, these associations constitute a pragmatic answer to municipal fragmentation, respectful of the smallest local governments. The specific objective is to promote micro-regional development projects while introducing more coherence in infrastructure investment and maintenance.

Historically, the multiplication of the number of municipalities at the beginning of the nineties (around 6 000 versus 4 000 up to 1989) represented a spontaneous answer to forced amalgamation in previous decades. In this new context limited object co-operation developed first. "Energy associations" were thus created in 1995 by contiguous municipalities to receive shares in the ex state energy distribution companies before their full privatisation. The 1992 law on municipalities allowed such co-operation, in limited technical or economic areas, but groupings with wider objectives were also possible. The law did not however put forward any specific conditions or definitions. This explains why the number of associated municipalities as well as the size of micro-regions is quite variable. Certain communes belong to more than one micro-region, while some of these territories are astride more than one district or region.

The first micro-regional associations thus began to appear in the mid nineties as bottom-up approaches to facilitate co-operation between groups of communes facing common problems and seeking to solve them within a wider

territory, chosen on the basis of certain economic, social and cultural characteristics. The movement was accelerated by the creation of the first Regional Development Agencies (RDAs), themselves often constituted at the initiative of certain municipalities. For purposes of coherence and efficiency, the RDAs effectively sought to encourage development projects carried by several municipalities rather than deal with separate communes, thus overcoming the limits imposed by the small size of many. European Union accession contributed to this momentum, many towns perceiving that access to new funding sources would require a wider territorial approach.

This movement was not regulated or codified in any way but the new Act on Municipalities (128/2000), effective since November 2000, laid down *ex-post* a certain number of basic rules obliging some of these groupings to modify their acts of association to be in conformity with the law. Articles 49 to 53, entirely devoted to associations of municipalities, define these as legal entities, with only municipalities as members. Before, applicable rules were similar to those concerning associations of private persons and membership was not necessarily limited to communes. The law defines provisions concerning resources and expenses and sharing of profits and losses as well as terms of joining and leaving the association. It also specifies that the citizens of the corresponding municipalities are entitled to attend meetings of the bodies of the association and to inspect the minutes. They can also submit written proposals. The possible areas of co-operation within an association of municipalities are in particular the following:

- education, social care, health, culture, fire protection, public order, environment and tourism,
- infrastructure and transportation,
- operation of quarries and installations for mining and treatment of mineral raw materials,
- administration of municipal property (local roads, woods, housing, sports/cultural facilities).

The MTJ Association of Municipalities

The Association of Municipalities of the Moravská Třebová - Jevíčko micro-region was created in October 1998. It comprises two "sections": one for the communes in the area of Moravská Třebová, one for those around Jevíčko. Membership in either is decided by the municipal council. This subdivision is to ensure an equitable geographical balance within the bodies of the association. The statutes of the association were modified in October 2001 to conform to the

new law, eliminating the category of associate membership for private persons or other public bodies. It should however be noted that there were no members with this status. The association's offices are situated in the premises of the Moravská Třebová town hall. There is no permanent staff, most preparatory and follow-up work as well as co-ordination being ensured by the economic development agent of the same municipality. A consultancy firm under contract is entrusted with the responsibility of collecting information on financing sources and procedures and providing advisory services for projects submitted within the Rural Renewal Program.

The object of the association, also called a "confederation of communities", as defined by the statutes, is *"to defend the economic, social and cultural interests of the inhabitants of the micro-region and to solve the problems exceeding the possibilities of individual communes"*. This broad definition means that actions decided are very much at the discretion of members, following their understanding of mutual interest. As of today, the areas of co-operation are in particular cycling path infrastructure and sign posting, tourism promotion (brochures), information systems (Internet projects), consultation services and management at the level of the micro-region. This is reflected in the presentation of certain requests for state funds such as those from the Rural Renewal Program that concern either individual municipalities or the micro-region considered as a whole. In this case, until the statutes were amended, subsidies were requested by and earmarked for one commune, acting on behalf of the association, not yet a legal entity. For 2002, systematic development of public relations towards regional and state authorities is contemplated as well as increased dissemination of information on micro-regional activities and projects.

The association meets on a regular basis (statutory minimum of four times a year) at the level of the Administrative Commission, which is its executive body, comprising seven members. The chairman and vice-chairman of the association are chosen amongst the members of the Administrative Commission by the Plenary Assembly. The Plenary Assembly, with a representative from each municipality, elects the members of the Executive Committee. It gathers two or three times a year. This assembly approves the rules of procedure as well as the closure of accounts. It votes the budget after examining the proposed activities for the following year. It also gives its approval to long term objectives. Decisions are taken given a quorum of more than half of members present at a simple majority. Each municipality has one vote. A "Commission of Control" proceeds to the control and auditing of accounts. A "Commission of Conciliation" solves disputes between municipalities and with the Administrative Committee.

The resources of the association are based on grants and membership fees related to the population of the municipality (Czk 22 per head in 2001), which also determines sharing of possible losses. Profit, if any, is used only for the development of the association's activities. The budget is Czk 2 million for the year 2001 (as compared to Czk 700 000 the year before). Major income sources are membership fees (Czk 608 000), and two types of state grants (Program of support to economically weak regions, Rural Renewal Program, the first for Czk 491 000 and the second for Czk 600 000). Besides covering minimal operational and PR costs, expenditure corresponds to micro-regional co-financing of projects eligible to funds in favour of economically weak regions (Czk 976 000) or those within the framework of the Rural Renewal Program (Czk 982 000). This overall budget remains quite modest in comparison with municipal budgets. For example the contribution of Moravská Třebová, on the above-mentioned basis, amounts to Czk 250 000, which corresponds to less than 0, 50 per cent of the town's expenditures.

The creation of the MTJ micro-region is too recent to be able to fully evaluate the impact of its policies but certain elements can already be put forward. The modest level of financial engagement of members in the association must be underlined. Future development would require a stronger financial commitment to give the association more leeway. Also the adoption of a strategic development plan would serve as a guideline, actually lacking, for future projects and to identify priorities. More visibility and development of communication would also help to enlist citizen's support, and develop social capital (see appendix on the role of networks) which is crucial. Lack of an effective and specific national framework to help in structuring micro-regions and defining strategies can also be considered at this stage as an obstacle to sound long-term development of these new territories.

From the district to the region

Changing territorial levels

Concerning the creation of new regional entities, Act 347/1997 entered into effect on January 1st 2000. It defined the territory for 14 new regions at the NUTS III level, designed as higher autonomous territorial units. In May 2000, the Parliament adopted a set of laws defining competencies and organisation of regions (Act 129/2000, 131/2000, 132/2000). Elections were held for the new regional councils in November 2000 and they took up their office on January 1st 2001.

As result of the 1st phase of the territorial public administration reform, the regional councils have taken over certain powers from national state administration such as regional development, social care, education, culture, environmental issues, transport and communications, health care, construction, agriculture, hunting and fishing, water management etc. Besides, a large amount of public facilities and public services (performing other than administrative tasks) i.e. schools, hospitals, social care agencies, are transferred from State to regions. Regions also participate in the work of associated NUTS II level regions.

The 2nd phase of the territorial public administration reform is under preparation. It should consist in transfer of competencies from (state) district offices to regions and selected municipalities. In consequence, by January 2003, district offices should disappear and their competencies taken over partly by regions (most complicated and less frequent affairs, appeals, etc.) and about 200 selected municipalities. The definitive method of financing the regions, including assignment of revenue, has not yet been defined.

The hierarchical structure of levels for regional policy implementation has been designed so as to address regional differences in connection with European Union accession. A National Development Plan (NDP) of the Czech Republic, to be finalised at the end of 2002, comprising two sets of converging measures, was thus elaborated in 1999, according to the methods of the European Commission:

- Seven Regional Operational Programmes (ROPs), dealing with regional development at the level NUTS II plus a Single Programming Document (SPD) for Prague;
- Six Sectoral Operational Programmes (SOPs), addressing issues in industry, multifunctional agriculture and rural development, transport, tourism, the environment and human resources development.

To prepare the Development Plan it was necessary to take certain steps in the area of analysis, methodology and organisation, so as to apply the NUTS system in the Czech Republic. The new administrative division into 14 regions of different sizes, with the number of inhabitants ranging from 300 000 to 1 280 000, excluded classification at the NUTS II level used as reference for European regional policy. These criteria were met by aggregation of several NUTS III regions so as to form NUTS II regions.

At the NUTS II level, Regional Steering and Monitoring Committees, composed of deputies and senators, district council leaders, representatives of local government, the Ministry for Regional Development, the Ministry of Finance, scientific institutions, chambers of commerce and trade unions were put in place. Once the Regional Councils were set up, the previous committees were replaced by Regional Development Committees appointed by the former.

Work has started on the basis of the Development Plan to prepare pilot programs and related projects for the NUTS II regions which have undergone major industrial restructuring and with the highest unemployment rates. This is the case of the North-West with the Usti Nad Labem and Karlovy Vary regions and of the Ostrava region in the East. Regional Development Programs have also been prepared at the NUTS III level and reviewed by Regional Co-ordination Commissions and then by the regional councils.

As a bottom-up response to regional challenges and as a recognition of the need for co-ordination of activities, Regional Development Agencies (RDAs) were established at the NUTS III level, often on the basis of private initiative (Blazek, 1999). RDAs promote the particular region, lobby for regional interests and seek governmental and international financial support for different projects. RDAs were seldom set up with direct state support, the prime exception being the North Moravia RDA located in Ostrava. This means that the efforts of RDAs are often undermined by lack of resources, experience and qualification of staff. Despite these problems, RDAs are now performing many activities such as providing information and consulting services, promoting the region, attracting foreign investors, elaborating municipal, local and regional development strategies as well as managing regional development projects. These agencies are also the main channels for obtaining EU pre-accession structural aid and later structural funds

Regional Development Agencies are being reinforced by the creation of Regional Information Centres since May 2001 with the support of CzechInvest, the Ministry of Industry and Trade's arm for foreign direct investment. CzechInvest shares in the cost of setting up these centres depending on a region's population and size. Training courses focusing on marketing presentation skills and materials will be organised. The information centres will promote their regions in the field of FDI and provide information on CzechInvest missions, activities and programs such as industrial zone development. They will also gather regional and micro-regional information and statistics and provide advice to communities in the above mentioned areas. CzechInvest is already performing information services for the RDAs: its website (www.czechinvest.cz) is a portal for access to the websites of each Regional Development Agency.

For the future, strong Regional Development Agencies seem necessary to foster regional development efficiently. Big differences in resources and capacities appear to this day from region to region. National policy could usefully aim to effectively better supporting the RDAs in lesser performing regions or those where micro-regions with specific difficulties are located.

East Bohemia or Moravia?

The Strategic Plan for the Development of the Moravská Třebová - Jevíčko micro-region has its place in the hierarchical structure of the regional plans, with linkage to the Development Program for the Pardubice Region. The document is derived from a SWOT analysis of MTJ, on the basis of which the strategic objectives for the economic sectors and for social development have been established. The Strategic Plan was jointly prepared by representatives of the municipalities, experts based in the region, specialists from the Svitavy District Office, and representatives of the DHV company, which produced the final version of the plan. The Strategic Plan was assessed by representatives of individual communes and members of the "Association of Communes", and then approved by the municipalities of the micro-region.

This preparatory work has been going on within the framework of the Pardubice Region to which MTJ belongs, although neither of its municipalities is a statutory member of the Regional Development Agency created in 1999 that covers that region. On the other hand 8 MTJ communes are among the 160 municipalities belonging to the Regional Development Agency for Central Moravia, created in 1995 and based in Olomouc. This agency has been instrumental in the elaboration of the Strategic Development Plan of the town of Moravská Třebová, now being completed. This apparent paradox is one of the manifestations of the strong ties maintained by the municipalities of the micro-region with neighbouring Moravia, to which the area belonged historically and with which close cultural affinities remain to this day.

The regional reform in the Czech Republic, in terms of creating the NUTS III regions, consists mainly in a territorial division regrouping areas corresponding to the districts that are to disappear at the end of 2002. This means that the MTJ micro-region, belonging to the District of Svitavy, was included in the Pardubice Region of East Bohemia, in spite of the Moravian identity felt by most inhabitants. For this reason, all municipal councils in MTJ, without exception, expressed as early as 1999 the wish that the micro-region become a part of the Olomouc region of Central Moravia. Three municipalities,

Moravská Třebová, Chornice and Rozstani, even went further by organising a local "survey"¹ on this issue that took place in November 2001. Turnout in Moravská Třebová was 38 per cent of registered voters and results were 68 per cent in favour of integration into the Olomouc Region, with 20 per cent wishing to maintain the status-quo, the remaining percentage corresponding to invalid answers. Such a centrifugal tendency, although not frequent, has appeared elsewhere in the Czech Republic: the areas of Vysocina and Chotebor in the Visocyna region, also located in the Eastern part of the country have also expressed the wish to modify their present regional links. Such a process requires formal approval by Parliament.

Local authorities in MTJ clearly expressed the view that purely cultural and political considerations on the long term were at stake in this matter and that no specific economic debate took place on the potential merits of one solution rather than another. On the other hand, if MTJ formally becomes part of the Olomouc Region, there could be economic implications on the long run, due to the powers of the regions in terms of economic development and spatial planning (transportation matters for instance). It is of course too early to measure these, but in any case the MTJ micro-region will certainly retain important ties with other parts of the Pardubice Region. This would particularly be the case of the area of Svitavy, that remains the closest medium sized town (population 17 000) situated at a distance of 16 km, whereas Mohelnice (7 000 inhabitants) is the closest town in Central Moravia (18 km).

Economic development

Agriculture and rural development

National policies and European policy tools

Czech agricultural policy comprises measures of market regulation and income support, environmental and landscape preservation as well as those targeting modernisation and transformation of agricultural and food enterprises. National funds administered by the Ministry of Agriculture support non-production functions of agriculture, activities involved in landscape maintenance and schemes helping less favoured areas. The State Agricultural Intervention Fund (SZIF) regulates important agricultural markets (dairy products, cereals, beef, starch and hops) by intervention purchases and subsidised exports. This fund amounts to EUR 118.8 million in 2001.

The Support and Guarantee Fund for Farmers and Forestry (SGFFF) provides loan guarantees and interest subsidies on agricultural credits. These

aids are provided to entrepreneurs who prove that at least fifty per cent of income results from agricultural or forest activities or from water management. Within the SGFFF framework, four schemes support the establishment of producer marketing organisations. The operation scheme supports purchase of fertilisers, seeds and chemicals. The investment scheme is split into sub-schemes. *Agrarian* provides credits for machine and equipment purchases. *Youth* aims at helping farmers under 40 with low-interest loans and extra subsidies. The two last are the Export scheme and the Hygiene scheme. The SGFFF amounts to Czk 1 568 billion. There are also three support schemes for sales organisations: one for the establishment of such organisations, another for organising sales of previously established organisations and the last for entities joining a new sales organisation.

Concerning rural development policy, the most important tool is the Rural Renewal Programme (RRP) supporting the renovation of the physical structure of villages and their vicinity. The programme requires the participation of local dwellers and civic associations both for preparation and implementation. The RRP is administered by the Ministry of Regional Development and provides grants to municipalities from EUR 700 to 5 600 for individual municipalities and up to EUR 27 800 for associations of municipalities. In 1998, 1 500 municipalities participated and each received an average of Czk 300 000 for:

- Renovation and maintenance of rural housing and civic amenities;
- Comprehensive management of public grounds;
- Renovation and establishment of public greenery;
- Reconstruction of local roads, establishment of pedestrian and cycling paths;
- Installation and renovation of public lighting;
- Elaboration of urban studies and land-use plans;
- Training and extension in the area of village renewal;
- Integrated projects of rural micro-regions.

The "Special Accession Programme for Agriculture and Rural Development" (SAPARD), focuses on the preparation of economic integration into the EU. The implementation of this plan is a joint responsibility of the Ministry for Regional Development and the Ministry of Agriculture. The main priority of the SAPARD programme, launched at the end of 2001, is to facilitate the implementation of the "*acquis communautaire*" as well as land

consolidation. In total 205 Million EUR public expenditure is allocated to SAPARD for the period from 2000 to 2006 with 75 per cent provided by the EU and 25 per cent by national funds. Division and funding of different policy areas is indicated in Table 21.

Table 21. Measures of the Czech SAPARD programme

Measure	Funds planned for the measure (%)	Other funds than SAPARD
<i>- Increasing the competitiveness of agriculture</i>	61,8	
Investments in agricultural holdings	16,1	No
Improving the processing and marketing of agricultural and fishery products	16,5	No
Improving the structures for quality, veterinary and plant-health controls for the quality of foodstuffs and for consumer protection	8,9	Part
Land improvement and reprocessing	20,1	National
<i>- Development of rural areas</i>	35,1	
Renovation and development of villages and the protection and conservation of cultural heritage	10,7	No
Development and improvement of technical infrastructure	5,3	No
Development and diversification of economic activities, providing for multiple activities and alternative income	16,1	No
Agricultural production methods designed to protect the environment and maintain the countryside	3,0	National
	3,1	
<i>- Technical support</i>		
Improvement of vocational training	2,1	National
Technical assistance for measures covered by the Council regulation (EC) 1268/1999 including monitoring, information and publicity campaigns	1,0	No

Source: SAPARD Plan of the Czech Republic (2000).

The SAPARD programme addresses key problems of agricultural restructuring and rural development although it was not designed as a strategy in which agriculture is integrated into a broader development approach. Investments in improvement of product quality can contribute to an increase of added value in food chains. The distribution of funds emphasises the improvement of agricultural competitiveness. Investment support, quality improvements in agriculture and food processing and land reprocessing account for around two-thirds of the budget in contrast to one third allocated to rural development. Also, funds for vocational training and information dissemination remain limited.

Agricultural policies in MTJ

In the MTJ micro-region, policy measures supporting agriculture have been applied in the following fields:

- Maintenance of the landscape in sub-marginal and marginal conditions;
- Forestation of agricultural land, grassing down of arable land;
- Special additional programmes for environmental protection;
- Pasture cattle farming;
- Raising cattle for beef production;
- Guaranteeing loans for capital expenditures and operating expenses;
- Compensation payments for setting land aside (5-10% of arable land);

In 2000, Czk 27.2 million subsidies have been granted to MTJ, 17.5 millions for operating costs and the remaining Czk 9.7 million for investment loans. In 2001, Czk 50.4 million were provided, Czk 21 million for operating costs, 26.4 million for investment, with 3 million not specifically assigned. Most of these subsidies are devoted to the refurbishment of pigsties and cattle/dairy farms. Investment mostly concerned the purchase of new harvesters (average life span of five years), trucks and heavy tractors.

Regarding SAPARD TEST and other EU aids, the Svitavy District office of the Ministry of Agriculture indicates that farmers seem to be reluctant to ask for these subsidies. The two main reasons appear to be a lack of practical information on possibilities and procedures as well as the delay between the date of application for a subsidy and availability of money. From the observations in the MTJ micro-region it can be concluded that people are becoming increasingly aware of the upcoming EU accession and its policy framework but without sufficient practical knowledge on access to programs. Capacity building cannot remain limited to qualification of public officials and financial bodies, with adequate dissemination of information about contents and formal procedures to potential beneficiaries appearing just as important.

Farming represents in MTJ an activity that is much more developed than in other parts of the Czech Republic, due in particular to favourable natural conditions. Policies followed up to now do not appear, however, to have sufficiently pursued the goal of enhancing this potential. Bigger farms and co-operatives still have problems in accessing credit and in marketing their products towards the food-processing/distribution chains. Also, smaller farms, which are numerous and can usefully contribute to maintaining the landscape and developing agri-tourism or completing other household revenues, are not specifically targeted as potential benefactors of certain aids or training schemes.

Industry and SMEs

Regarding industrial strategy, the Government approved in 2001 the 'Industry' Sectoral Operational Programme (SOP). This programme implements predefined priorities such as human resources development, support of structural changes in enterprises, use of new technologies and development of trade. It aims at improving competitiveness of Czech industry after accession to the European Union as well as the use of Structural Funds and the Cohesion Fund. Priority is given to structurally affected regions. Also, a 'programme for the promotion of industrial zones in 2001-2006' was approved in March 2001 and aims to provide municipalities, regions and developers with grants for the creation of industrial areas and related infrastructure. CzechInvest and Regional Development Agencies advertise on the web the available parcels in each region.

SME policy in the Czech Republic

The long-term objective of SME policy in the Czech Republic, as set out by the Ministry of Industry and Trade (MIT) is:

"... to allow small and medium-sized enterprises to function, so that this sector will be able to contribute to the output of the national economy, technological progress, competitiveness, reduction of unemployment and regional, social and economic differentiation..."

In the medium term, the main objectives are: to increase the share of SMEs in the economy, to improve the take up of technologies and competitiveness, to support co-operation with the research community and to help individuals set up a business.

MIT recognises the need for "active co-operation between the central government and regions, combined with a focused decentralisation of decision-making powers". Indeed, responsibility for the implementation of SME policy is shared between the Ministry of Industry and Trade and the Ministry of Regional Development, with the latter being responsible for SME support at the regional level. In December 2000 the Government approved the SME Support Programme for 2001-2004. This programme aims at improving the business environment in providing support to overcome the barriers that SMEs face in a number of areas. These concern access to the capital market, use of Information and Communications Technologies (ICT), education and training of entrepreneurs, access to qualified labour, consultancy and advisory services, standardisation and certification as well as R&D. Available programmes and financial support are briefly presented as an appendix, with initial assessment of their relevance and accessibility to MTJ entrepreneurs. It should be noted that most of the financial support programmes provided by the government are administered by the Czech Moravian Guarantee Bank. (CMZRB)

Besides, the Ministry of Regional Development administers a number of programmes that operate on a regional basis. The main objective of the programmes is to increase the rate of employment, with specific targeting on structurally affected and economically weak areas of certain regions (the Svitavy district is in this case) and for problem groups such as people with reduced working capacities. Beneficiaries are small enterprises with less than 50 employees and medium size enterprises with fewer than 250 employees. Support in the field of international trade is the responsibility of the Czech Trade Agency, the Czech Export Bank and the Export Guarantee Agency.

In addition to the preceding measures, the Sectoral Operation Programme (SOP) concerning Human Resources Development underlines the following priority: "Increasing the adaptability of employers and employees to changes in economic and technological conditions, support of entrepreneurship". This includes training of people to start a business, increasing qualifications and adapting to new forms of employment. It specifies that these goals will be integrated into ALMP tools (see further). Furthermore, to improve links between SMEs, industry, R&D institutes and universities, the Ministry of Industry and Trade runs three specialised support programmes: Technos, Transfer and Park.

Table 22. Other types of SME support in the Czech Republic

Information, advice, consultancy and training Services	Research and technical development
<p>Business Development Agency (BDA): Most important source of government-funded non-financial support for SMEs. Range of business advisory services. Assistance with applications for bank funding (including programmes run by CMZRB) and EU-related issues. Services delivered through 29 Regional Advisory and Information Centres (RPIC). Nearest RPIC to MTJ: Pardubice. BDA runs a network of 5 Business Innovation Centres.</p>	<p>Business Innovation Centres (BIC): 5 in the Czech Republic, under the umbrella of the BDA. Nearest BIC to MTJ in Brno. Advisory services to innovative businesses, technology transfer, access to international networks and support for firms in business incubators.</p>
<p>CZECHINVEST: Encouraging Foreign Direct Investment. Support to industrial zones.</p>	<p>Association of Innovative Businesses</p>
<p>Design Centre: Various design-related services on a free or subsidised basis for SMEs; competitions, exhibitions and training courses.</p>	<p>Association of Technology Parks</p>
<p>National Training Fund: PHARE-funded initiative focused upon promoting workplace education and training among employers, including SMEs. Runs a number of training-related initiatives and has a research function.</p>	<p>Czech Innovation Centre</p>
<p>Business Support Centre of the University of Brno. Range of training, consultancy, research and information services for SMEs, business incubator programme.</p>	<p>KONSORCIA programme: MIT, which provides financial support in the form of subsidies or grants for R&D projects selected through a competitive process. The scale and nature of support depends on precise nature of selected projects.</p>
<p>Business associations Chambers of Economy, Chambers of Agriculture, Associations of Entrepreneurs, Union of Industry and Transport and Union of Trade. Range of services that may be useful to SMEs, in addition to information, policy and representative services.</p>	
<p>Centre for Regional Development: Responsible for a number of initiatives, including those supported by PHARE, relevant to SMEs. Network of Euro Info Centres and Regional Development Agencies (including Pardubice and Olomouc RDAs).</p>	

Source: Ministry of Regional Development

Support of industry and SMEs in MTJ

Business start up support is also provided by the local Labour Office. Financing is available from the same fund that provides investment grants. This support is allocated on the same basis across the Svitavy District, with no special provision for MTJ. Twenty-eight new small businesses were supported

from this source in 2000, and 13 up to May 2001. Training of potential entrepreneurs seems practically non-existent in the area: 3 in the year 2000 and only 2 in 2001.

In 1999, the municipality of Moravská Třebová took advantage of the Industrial Zone programme. CZK 6.2 million were obtained from the Ministry of Industry and Trade, the town spending an additional CZK 4.172 million to develop a 11.5 ha industrial zone completed in 2000. Two ha have been sold to Techplast a company that produces plastic parts for automobiles and employs 25 people. The town expects to sell 2.8 ha to STAHE S.C. for a plant that will produce frozen pizzas in 2003. To sustain this process, the Labour Office provides assistance in hiring and training staff.

Although the MIT has deployed ambitious policies in favour of industry and SMEs their impact in MTJ appears somewhat limited with the exception of the Industrial Zone programme. Concerning in particular SMEs there seems to be a lack of awareness of existing aids and training programmes. Even when these are publicised, level of interest remains low as has been indicated by the Pardubice Regional Development Agency. This is probably due to the fact that there is no entrepreneurial network specific to the micro-region. This cannot be the sole reason though and initiatives to disseminate more systematically information on policies and programmes appear necessary in the future.

Tourism policies and measures

National policies in the field of tourism

Tourism, spurred by the general trend towards increased leisure time in most OECD countries, has registered steady growth over the past quarter century. A rising number of countries and regions are competing for a market share in what is now a highly mature industry. In some countries, tourism has become the leading economic sector and one of the main earners of foreign currency. The Czech Republic is one of these, with tourism presently contributing 9-11 per cent of the GDP and approximately 9-10 per cent of total employment¹. These results have been achieved over the last decade, with foreign tourists flocking to Prague and others discovering areas of Bohemia close the capital or patronising the world-famous spas. The Czech Tourist Authority (CTA), created in 1993 under the auspices of the Ministry for Regional Development, helped to organise and support this nascent and dynamic sector. Now that Prague is established as a major international destination, CTA strategy aims to comfort results but also to draw upon the

natural and cultural assets of other parts of the country to attract foreign visitors to other regions.

This new strategy is beginning to be reflected in the allocation of resources of CTA, with approximately 10 per cent of a budget of Czk 180 million in the year 2000 allocated to regional development. The integration of the regional dimension in tourism aims both the domestic and foreign markets: even major international tourism destinations generate more revenue from their own market than from tourists coming from abroad. To grasp these opportunities and vie for a more balanced tourism development in terms of spatial policy, the *National Development Plan of the Czech Republic* comprises a specific *Sectoral Operations Plan* devoted to tourism. Likewise, the Regional Operational Programmes (NUTS II) and the Regional Development Programmes (NUTS III) give proper attention to tourism so as to create jobs and ensure further economic development. These concerns are reflected down to the level of micro-regions, with tourism being sought, wherever possible, as a remedy to industrial decline or insufficient agricultural revenue.

The *Regional Operational Programme (ROP) of the NUTS II Region Northeast* underlines the fact that "there is a great potential in the area of tourism, conditional upon the improvement of infrastructure and standard of services". Tourism is presented in the ROP as one of six priority areas, but basically issues of direct relevance for tourism appear in all other priorities, thus underlining its cross-sectoral character. This is the case for improvement of transportation infrastructure, SME support, protection of rural architecture and land character, cultural and natural heritage as a component of rural development, education and re-qualification and also general environmental concerns. More specifically, the tourism priority is divided into three main areas:

- Support to establish and modernise tourism infrastructure in the most suitable localities.
- Improvement of quality of services with year-long use of capacities (training of employees, widening of tourism services, preparation of new products, promotion and marketing).
- Development of individual forms of tourism, support to organisation of different activities including sports in leisure centres.

The *Regional Development Programme (RDP) of the Pardubický Region (NUTS III)* states that "there are very good prerequisites for tourism development in the region" but it also underlines shortcomings to faster development such as insufficient promotion, lack of co-ordination of tourism activities, poor infrastructure and low use of accommodation capacities. It identifies six problem areas, the first of which relates to economic potential and puts forward the "use of the potential of the territory for tourism development" as its fourth objective. All other problem areas contain objectives with direct impact on tourism development, similar to the ones mentioned in the NUTS II ROP. Reference is also made to the objective of improving the spread of information on the region and creating an information system, which bear directly on efforts towards tourism development.

The Moravská Třebová-Jevíčko micro-region, in considering the possibility of tourism development, can thus anchor plans on stated objectives both at the national and regional levels. On the other hand, a careful review of all ROPs and RDPs would probably show that quite a few regions at the NUTS II and III levels are pursuing comparable goals, with local assets often of a similar character (pleasant natural environment, interesting architectural and cultural heritage). Likewise, within each of the NUTS III level regions, competition between micro-regions, unless there are very distinct features allowing true complementarity, can also be an issue. In competing for allocation of scarce resources each micro-region will naturally seek to enhance the presentation of its amenities and business case.

Measures and projects in favour of tourism development in MTJ

a) Tourism promotion

Lack of adequate infrastructure and proper training of personnel are determining factors in the modest development of tourism in MTJ, in spite of authentic assets such as a relatively well-preserved environment and worthwhile architectural heritage. Absence of truly targeted promotion based on a chosen strategy can also be mentioned. On the other hand, adequate promotional efforts are costly and difficult to implement when important obstacles such as lodging quality or insufficient training remain.

The basic tool supporting the promotional effort is the local Tourism Information Centre. In MTJ, there exists only one such centre in Moravská Třebová but it is planned to open an antenna in Jevíčko. Staffed by 3 people, it is open weekdays, and Saturday mornings. A private firm that won the call for tender and is also responsible for publishing the monthly municipal

bulletin called ECHO operates it. With minimal staff, it is clear that the centre can devote little time to active promotion with travel agencies and tour-operators, most efforts being made to answer individual written requests and on the spot enquiries. On the other hand, networking of Tourism Information Centres in the vicinity, as has begun in particular with Litomysl, is useful. Likewise, the positioning of the micro-region as a tourism destination within a wider area can draw benefit from the promotional image and reach of a larger geographical entity. MTJ, because of strong cultural and historical ties to Moravia, has thus chosen to present itself in terms of tourism promotion within the Central Moravian NUTS III region. A detailed brochure on the tourism attractions of Central Moravia, published in 2001, duly includes a presentation of the micro-region.

On the other hand, presence of micro-region tourism information on local websites remains modest. The official Moravská Třebová (www.mTrebová.cz) and Jevíčko (www.Jevičko.cz) sites present general tourism information but only in Czech. No MTJ micro-region tourism website presenting the attractions and amenities of the area exists to this day. Also, on-line promotion of the micro-region on the official CTA www.visitczechia.cz website is non-existent. Information, provided only for the town of Moravská Třebová, is limited to a brief historical description with mention of summer events. No information on activities or practical information is available, except the co-ordinates of the Tourism Information Centre. Navigation on this website⁴ shows that information is more or less complete for the different tourism destinations and attractions, some of them being more detailed or providing links to specific sites.

b) Renovation of architectural heritage

- National policies and heritage funds

The Czech Republic possesses an exceptionally rich cultural and architectural heritage. Eight UNESCO World Heritage sites including Prague are to be found in the country but also innumerable castles, monuments and churches of different periods and styles. Many small and medium size towns have retained, at least in their historical centre, an architectural homogeneity or continuity that constitutes a testimony to a prestigious past and a potential attraction for tourists. These treasures benefit as such from a specific status, under the Law on State Heritage Preservation (20/1987). Two main classifications exist: Urban Heritage Reserves and National heritage Zones. Moravská Třebová is, since 1980, one of the 43 Urban Heritage Reserves in the

Czech Republic. Jevíčko is, since 1990, one of the 211 towns in the country that includes a National Heritage Zone.

Urban Heritage Reserves are declared for groups of monuments or town centres of remarkable character. They offer the highest degree of protection. Within the perimeter of the heritage reserve, protection concerns not only outside appearance of buildings and monuments but also identified historical interiors. The classification implies maintenance of overall historical aspect and character. No repair or modification can be carried out without authorisation of the Ministry of Culture, this concerning also public parks. The process is systematic: it also concerns work on and installation of public infrastructure: electricity, sewerage, parking spaces. The same rules apply to public lighting and to advertising. Once permitted, restoration work is submitted to strict conditions to ensure the use of durable quality materials.

Modification or restoration of buildings in the area that offer no historical character are also submitted to certain rules so as to ensure a visual and esthetical continuity with nearby monuments. All excavations, once authorised are submitted to control so as to preserve any possible archaeological findings. To ensure the effective implementation of measures of preservation and restoration in a proactive fashion town authorities must adopt an overall plan of maintenance and investment. It is within this framework that specific state funds are allocated to contribute to the effort made by local authorities.

In the case of *National Heritage Zones*, similar rules, though less detailed, apply both to built up and green areas. Basically, territorial-planning documentation must define the characteristics and function of the zone within the town, bearing in mind economic and social factors. A balance must be sought in urbanism plans between the needs of the inhabitants and those of visitors. Respect of the architectural value of the area concerns identified monuments and historical buildings but also other construction, whether existing or new, to ensure blending into the urban environment. A National Heritage Zone can comprise parts not necessarily in geographical continuity but the overall panorama must be maintained.

Both Urban Heritage Reserves and National Heritage Zones benefit from a specific program of the Ministry of Culture that was initiated in 1992 to support restoration efforts but also to help in preparing, processing and implementing town regeneration programs. Financial participation of the town is compulsory, with appreciation of the corresponding tax yield. Funding is of course subject to compliance with the different rules and procedures described above within the framework of multi-annual plans. Besides this program

reserved for Urban Heritage Reserves and Zones, the Ministry of Culture manages several other programs open to other public or private applicants:

- "Wreck arching over" program, for urgent salvage of endangered buildings; "Architectural rescue program", with similar objectives, for heritage such as castles, forts, churches.
 - Rural monumental reserve/zone/scenic monumental zone. This program is open to public and private applicants for the preservation of secular or religious folk architecture.
- Architectural protection and renovation in MTJ

In *Moravská Třebová* the prime components of the town's heritage have been the focus points of a major restoration program. The Renaissance Castle is being progressively renovated with first action taken in 1995 by the town for initial studies and effective work starting the following year. Total expenditures up to the year 2000 have been at Czk 44 704 665, shared at 55 per cent by the town and 45 per cent by the Ministry of Culture, with a particularly high contribution of the municipality in 1997. The castle now houses a permanent exhibition hall, an art gallery and two concert halls as well as the town library and five small flats reserved for municipal employees. The Elementary School of Arts will soon be relocated there. Once renovation is finished, within a 2 to 3 year period, the castle could become a cultural centre, with further development of existing activities.

Table 23. Renovation of the castle in Moravská Třebová

Czech crowns

Year	Total	State grants	% of total	Town	% of total
1995	20 000.0	0	0	20 000.0	100
1996	6 101 365.3	5 000 000.0	82	1 101 365.3	18
1997	14 336 164.8	5 000 000.0	35	9 336 164.8	65
1998	7 637 051.3	3 750 000.0	49	3 887 051.3	51
1999	8 586 316.0	6 000 000.0	70	2 586 316.0	30
2000	8 023 767.9	5 000 000.0	62	3 023 767.9	38
2001 E	8 600 000.0	5 600 000.0		3 000 000.0	
TOTAL	44 704 665.3	24 750 000.0	55	19 954 665.3	45

Source: Municipality of Moravská Třebová.

More recently, Masaryk Square, which forms a harmonious nucleus dominated by the Gothic/Renaissance town hall, bordered by elegant townhouses, has been receiving an important facelift. The town hall façade has been restored while the pavement and sidewalks of the square have been entirely redone, eliminating unsightly concrete slab surfaces and replacing them with cobblestones offering geometrical figures. The baroque church of Saint Mary's, situated behind the town hall, is also undergoing restoration work, for its frescoes in particular. An adjacent elementary school housed in a building dating from the beginning of the last century has been adequately renovated so as to preserve the character of the area, with a winding footpath leading to the church.

Table 24. Renovation of other monuments in Moravská Třebová

Year	total	State	% of total	Town	% of total	owner	% of total
1998	9 874 000	3 305 000	33.5	1 811 000	18.3	4 758 000	48.2
1999	13 322 000	6 114 000	45.9	3 478 000	26.1	3 730 000	27.9
2000	8 041 000	3 540 000	44.0	1 272 000	15.8	3 229 000	40.2
2001	10 804 000	5 720 000	52.9	2 582 000	23.9	2 502 000	23.2
TOTAL	42 041 000	18 679 000	44.4	9 143 000	21.7	14 219 000	33.8

Source: Municipality of Moravská Třebová

In Jevíčko, recent restoration efforts have been concentrating on the former Synagogue, which serves as a concert and exhibition hall with a museum dedicated to the Jewish Community. The Augustinian Monastery, which houses the town museum, had its roof entirely redone in the year 2000, other monuments such as churches, statues and fountains have been renovated in the last years. On the other hand the large Town Square has been neglected for many years with ordinary commercial buildings constructed before part of the town was declared an Urban Heritage Zone. In spite of some remarkable architecture it has not received up to now any specific attention.

Table 25. Renovation of cultural heritage in Jeviško 1999-2001

	Year	State	Town	owner	total
Augustinian convent	1999	100 000.00	870 000.00		970 000.00
	2000	460 000.00	460 000.00		920 000.00
	2001	560 000.00	559 000.00		1 119 000.00
Others	1999		70 000.00		70 000.00
	2000	339 000.00			339 000.00
	2001	1 170 000.00	161 000	27 000	1 358 000.00

Source: Municipality of Jeviško

Looking at efforts made in Moravská Třebová and Jeviško to preserve and restore historical monuments, it seems that local authorities with state support have been devoting much attention to this area. Such a policy appears useful to increase its attractiveness and to enhance its tourism potential. However no specific communication on these policies towards inhabitants seems to exist whereas it could contribute to strengthening local identity. Also, even if only lesser heritage exists elsewhere, it has not received much attention, smaller towns and villages lacking sufficient funds for this purpose.

c) Cycling paths

- National policy

The Czech Republic possesses a dense network of small roads, cycling paths and trails covering around 10 000 kilometres that are specifically mapped for cyclists by the Czech Tourist Club. The routes are being progressively sign-posted to European standards developed by the Eurovelo Association, with more than 2000 kilometres equipped mid 1999. The network comprises four different interlinked levels: European, national, regional and local. These developments are not limited to tourism as Czech authorities are seeking to encourage the use of bicycles for transportation, both in cities and rural areas, in particular through co-ordination with public transport. The National Cycling Development Strategy to be launched in 2002 is being prepared by the Transport Research Centre in Brno for the Ministry of Transport and Communications. It will put emphasis on improvement of cycling infrastructure and safety measures, with a view to reducing dependency on automobiles.

Funding for cycling path improvement and sign posting comes from various sources such as the Rural Renewal Program, SAPARD and the State Transport Infrastructure Fund. The Monitoring Committee of the corresponding NUTS II Region assigns a priority to each project and decides the allocation of grants. Average costs are of Czk 3 million per kilometre for

road surface improvement and Czk 2000 for sign posting. Local authorities usually assume 40 per cent of costs, with a ceiling of Czk 1 million for sign posting subsidies per project. Two thousand kilometres of routes concerning 150 projects are planned to be equipped in 2001.

- **Local policy**

The network in the MTJ micro-region covers more than 200 kilometres divided between 11 routes (5 regional and six local). One hundred and twenty-eight kilometres were equipped in the year 2000, 107 km are planned for 2001 and 35 Km for 2002⁵. The micro-region received for that purpose a subsidy of Czk 720 000 from the Rural Renewal Program for 2001. Although none of the three Eurovelo routes in the Czech Republic passes through the micro-region, MTJ is crossed by two routes of national importance, directly linked to the former. Route A (Northeast to Southwest) goes from Jeseník to Znojmo and route B (Northwest to Southeast) from Hradec Kralove to Breclav.

The development of cycling paths in the MTJ micro-region appears as a local priority due to ambitions in the field of tourism. Even if the micro-region has a certain number of assets for the development of rural tourism activities, its position is far from unique in the Czech Republic. Policies will now have to devote more attention to marketing this potential.

Social policies

Labour market policies

National policies

A National Employment Action Plan (NEAP) for 2001 was adopted in February of the same year. Helping companies and employees to adjust to changes is one of the main pillars of the plan. One of the goals is to reduce indirect payroll costs. It stipulates co-ordination of programmes for support of small and medium size enterprises (SMEs), and the creation of conditions for the development of consulting services for SMEs and also stipulates for the increase of minimum wage. It includes measures aimed at solving unemployment of the physically handicapped and other groups experiencing difficulties on the labour market, including the Roma (EU, 2001).

Implementation of national labour policies is strongly territorialised through the Local Labour Offices (LLO) present at the district level. Local Labour Offices (LLO) through various active labour market policies (ALMP)

aim to support unemployed people while helping them find another job and simultaneously enhancing employment opportunities in the district. These include payment of unemployment benefits, wage or recruitment subsidies, incentives and training programmes. In 2000, 40 million CZK were allocated in the Svitavy District and 50 million were projected in 2001 for ALMP, with great autonomy concerning the allocation of funds between different types of actions.

Box 1. Unemployment and social security benefits in the Czech Republic

Once a person has been unemployed for 6 months s/he becomes eligible for unemployment and social security benefits. The level of benefit is based upon 'need', taking into account factors such as illness or disability and the number of children in the household.

The value of the benefit is 50 per cent of the person's previous net wage for the first 3 months of unemployment and 40 per cent for the following 3 months. There is no specified obligation to report to the Local Labour Office (LLO) on a regular basis to 'sign on' as unemployed. However, unemployed people are obliged to attend meetings with advisors on a regular basis. The frequency and nature of such meetings is not laid down nationally, and can vary between local labour offices. Meetings can take place as often as once every two days or – in cases where advisors have a high case load – as infrequently as once per month. An unemployed person that does not attend arranged meetings risks losing his or her benefit.

The LLO may submit an unemployed person to employers in relation to appropriate vacancies. If s/he turns down a job offer without good reason, benefit payments may be stopped.

The minimum subsistence level for an individual in 2001 is CZK 4 100 per month. This compares with the national minimum wage of CZK 5 000. Therefore for many people, particularly those with young families, social welfare payments are near to, or above, the amounts that they would be likely earn in employment.

Responsibility for a person who has been unemployed for 6 months or more lies with local government District Offices, rather than the LLO. However, long term unemployed people continue to be eligible to receive advice and counselling, and can take advantage of active labour market policies such as public works, retraining, business start up grants or wage subsidies.

Source: Ministry of Labour and Social Affairs.

Local policies

a) Labour market information system

To implement ALMPs the Svitavy Labour Office has four main sites in the district, one of which is located in Moravská Třebová; a part time facility operates two days per week in Jevíčko. The services provided to the public include a vacancy board, mediators (22 across the district – 9 based in Moravská Třebová) and professional advisers (4 in the district – 1 in Moravská Třebová). Information to the public (unemployed people and employers) regarding services is provided through booklets and a web site (www.upsy.cz) containing detailed information such as vacancies in the district and advisory services.

To identify job vacancies and to discuss job search activities, job seekers must meet mediators in local offices on average once a month. Similarly, notification of vacancies is a legal obligation upon employers. The LLO takes on a regulatory and enforcement role, for example in ensuring that vacancies are indeed notified and that the conditions attached to notified vacancies comply with the appropriate labour laws (e.g. the minimum wage). Moreover, there is an obligation on the LLO to enforce laws such as the minimum employment quota for disabled people and, as in the whole country, the LLO provides support for the operational costs of sheltered workshops. In addition, grants are available to employers to provide the necessary equipment to enable a disabled person to be employed. Finally, financial assistance can be given to disabled people who wish to start up their own businesses. Only one person in MTJ was supported in this way in 2000, and two had been supported up to May 2001.

b) ALMPs

To promote job creation and recruitment the LLO may use various subsidies and incentives. Whereas not targeted, wage and recruitment subsidies widely used in the Svitavy district are in most cases applied to employment for school, college and university leavers. In the case of school, college or university leavers who are unemployed, a subsidy is payable to employers to cover part of the costs (on average around 60 per cent) of their employment for a period of 12 months. Forty-five young people from MTJ benefited from this programme in 2000, and between 75 and 80 per cent of people covered by this subsidy remain in employment with the same employer after the completion of the initial 12 months.

To meet the needs of employers, training and retraining programmes exist. They aim at filling hard to fill vacancies and are provided by accredited training organisations. From 1999 to 2001, 172 unemployed people took retraining courses. These concern either school leavers, long term unemployed people, disabled or other unemployed people. Thus, there is no specific targeting. In all cases, training is established in partnership with a private company seeking to create new jobs. This was the case for Rabbit A.S. (food processing) in 2001: to fill 30 positions, 29 unemployed people completed training. Twenty-six of were hired the following month and the 3 remaining were hired in the next 6 months. Eighty-two per cent of trainees following such courses have been hired. In most cases courses were organised outside of the micro region (Brno, Svitavy, Olomouc) but the LLO pays 100 per cent inscription fees and in some cases accommodation and fare. The range of courses is wide: accounting, PC skills, mechanics and fitness among other fields.

In order to enhance job opportunities, the LLO provides investment incentives in areas with relatively high unemployment. Grants of up to czk 200 000 per new job are available to support job creation projects in areas in which the unemployment rate is above the national average. The rate of subsidy is determined according to the local unemployment rate. The maximum grant available in Svitavy district is Czk 80 000 per job. However, the rate of support is the same across the whole district, *with no additional subsidy available for areas of particularly high unemployment such as MTJ.*

The LLO is responsible for the implementation of this programme, including the approval or rejection of applications. Grant applications are assessed by a panel, which considers the 'efficiency' of a proposed vacancy in terms of location and the likelihood of it being filled by an unemployed person from the area. The investment incentive system can be used in conjunction with other ALMP measures. In 2000, a recently approved project involved the establishment of a wood processing plant, with the creation of 113 new jobs in Moravská Třebová. Over 90 of these jobs had been filled through the LLO, which paid a wage subsidy for a period of 6 months in addition to the investment incentive. Similar experiences were pursued in 2001 with three other firms including Rabbit A.S. (98 jobs filled altogether).

Another major component of ALMP policy concerns public works. One hundred and twenty-five public utility works⁶ jobs and 117 public utility jobs⁷ were supported in MTJ in the year 2000. Support from the LLO consists largely of a contribution of around 60 per cent of the direct costs of employing a worker. The employers (primarily municipalities) pay the remaining 40 per cent of wages and any associated health and social insurance costs.

Support is available for up to 12 months. Employees are also obliged to undertake training as appropriate. Projects include infrastructure improvements and social welfare initiatives.

Table 26. Expenditure on Active Labour Market Policies, MTJ, 2000/2001

	2000			January – May 2001		
	Contracts with employers	New jobs created	Expenditure czk '000	Contracts with employers	New jobs created	Expenditure czk '000
Public utility works	24	125	5800	24	143	2000
Public utility jobs	64	117	3800	41	141	1900
Self-employment	28	28	970	13	13	525
Jobs for school leavers and graduates	45	45	1700	10	10	950
Re-training	49	49	400	56	56	300
Disability-related support	1	1	60	2	2	150
TOTAL	211	365	12730	146	365	5825

Source: Svitavy Labour Office.

Overall, in the field of labour policies, in spite of the careful monitoring of the Labour Office in Svitavy, there appears to be room for developing more initiatives. The labour market information system could be more systematically deployed with specific attention for MTJ. In terms of ALMPs the main problem appears to reside at the national level, with lack of specific area targeting within the district itself. The disappearance of this administrative level at the end of 2002 will require new territorial definitions and criteria for channelling of state and regional funds in this field.

Health and education

Health

The Act on Public Health Protection entered into force in January 2001, and most relevant secondary legislation had been prepared by June. The act, together with the implementing regulations, ensures alignment with a substantial part of relevant *acquis*. The Act contains the codification of rights and obligations of institutions in the protection of the population's health and the powers and authority of state health care supervisory bodies (EU, 2001). In this field local authorities have practically no leverage.

Education

The Czech Republic has made progress in reforming its education and training system and in introducing European standards. The reform of the public administration has decentralised responsibilities in education to regional authorities (secondary level) and municipalities (primary level) and set conditions for more democracy and participation in the whole educational system. The transfer of competencies started in the beginning of 2001 and is an ongoing process. Some progress has been made as regards improving educational opportunities for children from social and culturally disadvantaged backgrounds.

The situation of kindergarten and primary school in MTJ seems satisfactory although the number of qualified teachers could be increased. Some classes have been closed at different educational levels due to the reduction in the number of pupils. Moravská Třebová closed two kindergartens, but the opening of a new one is planned. Similarly, the municipality of Mestecko Trnavka is building a new school (primary and kindergarten). In spite of these closures a wide variety of specialised schools remain in MTJ.

In the field of education, the problem in MTJ appears to be not so much one of infrastructure but rather one of insufficient quality teaching resources, which puts into focus the problem of housing. Besides, review of labour market policies has shown that there is not a sufficient correspondence between education/training and job market vacancies in certain skilled positions that appear hard to fill. Future policies will have to devote more attention to co-operation between educational authorities and private sector representatives to ensure a better response of educational output to job market needs.

Strengthening the social fabric

Cultural policies

Cultural life in the Moravská Třebová-Jevíčko micro-region is rather developed and is not limited to the main towns. It is actively supported by the municipalities with operational and investment financing. There are thirty-three public libraries in MTJ, with three towns having more than one and six smaller localities without such a facility. In order to offer a wider choice of books these libraries are organised as a network. There is one museum in Moravská Třebová, one in Mladejov na Morave (railroad museum) and there are two in Jevíčko, presenting diverse collections of more than local interest. These

museums house permanent exhibitions but also present temporary ones, some of high quality, in co-operation with other museums in the country. Contemporary artists are offered the possibility to present their work and such exhibits are regularly organised, as in the gallery of the Moravská Třebová castle.

There is now once again a movie theatre in Moravská Třebová, housed in the municipal museum presenting most recent feature films, both Czech and foreign and addressing audiences of all ages. This movie theatre is run by the Cultural Services of the town. Cultural events and different festivals (strictly local, regional or international) are organised all year round. Many celebrate local traditions, whether secular or religious. Although the major events are held during the summer at the height of the tourism season, other events are not specifically organised or scheduled to target a tourist audience and rather express local identity.

Reflecting this there are four cultural associations, two open to environmental concerns and two scout clubs. Two of the cultural associations aim to develop Czech-German friendship. Another seeks to further Gypsy culture and one is geared towards strengthening of ties with the twinned Dutch town of Vlaardingen. In the second category, two national associations have local chapters (Czech Union for Nature Conservation, Czech Tourism Club). Scouts clubs are present both in Moravská Třebová and Jevíčko. Most of these associations receive financial aid from the municipalities who wish to encourage the development of their activities. Nevertheless amounts received are very low, Czk 25 000 for the Scout club in Moravská Třebová and Czk 15 000 for one of the friendship associations.

A sufficiently rich and diverse cultural life, with support of municipalities, can be considered as a factor of social cohesion as well as an enhancement to the attractiveness of the area. Such a statement is also valid for policies aiming to facilitate access to the Internet. Well aware of the potential, the government launched an ambitious program to facilitate the dissemination of Information and Communication Technologies (ICT): the "Action Plan of Realisation of State Information Policy" was adopted in May 1999, with several administrations engaging in the effort. One of the priorities of this program concerns rural regions and small towns, with the objective of insuring proper awareness and training as well as adequate access to such services⁸.

The Rural Renewal Program, financed by the Ministry of Regional Development is thus, alongside the Ministry of Culture, one of the sources of financing for the creation of public Internet access points. The VISK program (Public information Services for Libraries) is supported by the latter, with initial plans to equip libraries in towns of more than 1500 inhabitants (Czk 70 to 200 000 investment per site with maximum subsidy of 70%). The former, on similar bases, opens the possibility of public access

points in other public locations such as town halls or information centres. The MTJ municipalities have seized these opportunities and Internet access points are available in five towns with nine more scheduled for 2002. In public libraries basic training in computer skills is available⁹.

In the area of cultural policies, MTJ seems to be particularly active for a small rural area. Quality of cultural life, organisation of events and support to associations show a good understanding of the importance of these both for social cohesion and for the development of tourism. Pursuit, and if possible, reinforcement of these policies appears particularly relevant in a micro-regional context.

Sports

Major investment projects are supported in the MTJ micro-region, either in renovation or building of new sports facilities. In Moravská Třebová, municipal expenditures in favour of sports represent Czkl 479 134 (75% of total subsidies to associations). In 2000 and 2001, the town launched 3 investment projects: the renovation of the ice hockey stadium, the implementation of a new sports field and the reconstruction of an athletic stadium at the secondary school. Regarding costs, the municipality cannot afford them in totality, with state subsidies completing local financing. In total, the three projects amount to Czkl 45 million. In 2000 16 million were spent (62% of state subsidies). In 2001, the municipality has already spent about Czkl 10 million. Other municipalities also plan to build new sporting facilities: Bezdecí u Trnavky (multipurpose field in 2002), Brežina (reconstruction of the existing field), Křenov (playground), Rozstání (tennis court and volleyball field) and Rychnov na Moravě (athletic facilities, mini-football and basketball). The calendar of construction will depend closely on availability of state funds. Finally, the cycling network will be greatly enhanced (see below).

Infrastructure

Housing and construction

National policy framework and support for housing

Since the fifties, housing policy has experienced major changes in the Czech Republic. It remains today a key social and political issue¹⁰. Up to 1989 the main objective was the construction of new dwellings. However, in most cases new construction financed by the government was of low quality. In the early nineties public housing was transferred to municipalities and then sold to private owners. Paradoxically the situation of housing worsened. The main reasons are twofold: no rules for economic administration and maintenance were specified while most of the new owners (including municipalities) were not able to afford the cost of repairs and maintenance. Besides, a decrease in newly built apartments was simultaneously experienced. An important step was made in 1997, when a policy statement entitled "Objectives and Measures in the Housing Sector" was adopted. Today, following its recommendations, housing policy aims to achieve two main goals. First, it aims to provide an adequate living standard through maintenance and renovation of existing stock and construction of new quality housing. Secondly, it tries to overcome social problems stemming from the high cost of housing. These concerns are expressed in the National Development Plan, with recent measures transferring more responsibilities to municipalities with support from funds managed mostly by the Ministry for Regional Development.

To sustain the maintenance and renovation of housing as well as the construction of new dwellings, subsidies and tax relief are available to municipalities, builders and private owners. Mortgage loans secured with real estate are offered for purchases of dwellings by individuals. To support rental housing, investment subsidies are provided for construction of apartments. Construction savings plans and interest free loans for municipalities and private property owners alike as well as subsidies for repair of the housing stock constitute the other main instruments. Besides subsidies, use of mortgage loans is encouraged thanks to tax relief. Indeed, rates on loans are very high (from 10 up to 15 per cent). The Ministry for Regional Development provides two forms of tax relief: income tax exemption in yield from mortgage bonds, and paid interest deducted from income tax base. In addition, a property tax exemption applies to new privately owned apartments for 15 years from building certification. Similarly, subsidies and tax relief exist (usually a five year tax exemption) in order to support maintenance and renovation. To deal with the problem of affordability a new social allowance for housing will

gradually replace this system. The aim is to give an incentive to households to live in above average accommodation. The general categories of aid are subsidies compensating increased price of heating and rent for low-income families.

Table 27. Subsidies supporting construction in the Czech Republic

Subvention aim	Type	Applicant	Where to apply	Financier	Specific remarks	Calculation
Support for construction and saving	Contribution to the saving program	Participant to the saving program	Savings banks	State up to 25% of annual savings	Paid interest may be deducted from income tax base	Five year contract with a target amount
Mortgage subsidy	Subsidised interest on mortgage loans	Private persons – builders	Mortgage banks	State	Mortgage loans are granted up to 70% of the value of the property to be built	depending on construction type: building - apartment - family house
Interest free government loans	interest free government loans	Builders or first buyer of a dwelling under one year old	Mortgage banks after MRD approval	State	Mainly for families with average and slightly above average income	min. 100000 CZK max. 200000 CZK (50000 per flat + 3000 per square meter)
low cost low start mortgage	Returnable state contribution	Builders or first buyer of a dwelling under one year old	Mortgage banks	State	Mainly for families with average and slightly above average income	max. 700000 CZK
Support for construction of rented housing with community care services	Subsidy	Municipalities	MRD through district offices	State	Participant of Program of support for construction of community care homes	
Support for construction of new rental housing and technical infrastructure	Subsidy	Municipalities	MRD through district offices	State up to 50% – municipalities – private funds	For low rent municipal housing and infrastructures	

Source: Ministry for Regional Development

Table 28. Subsidies supporting maintenance and renovation of housing in the Czech Republic

Subvention aim	Type	Applicant	Where to apply	Financier	Specific remarks	Calculus
Financial aid for repair of panel buildings	Subsidy	Building owners	Ministry for Regional Dev. through district offices	State		Up to 50% of costs of repair
Revival of rural housing	Subsidy	Municipalities	Ministry for Regional Dev. through district offices	State	Participant of the Village Revival Program	
Interest free loans for housing modernisation	interest free loans and 7% interest loans	Municipalities – private owners through municipalities	Ministry for Regional Dev. through district offices	State – municipalities 20%		Min. amount of state loan to municipalities 200,000 max. according to population in municipalities

Source: Ministry for Regional Development.

Housing policy in MTJ

Renovation and repair of buildings are neglected in MTJ due to high costs, especially for small municipalities. Regarding the structure of housing, there is no specific pattern. Depending on the municipality and its size, the housing stock belongs either to the municipality itself, to co-operatives or to private owners. The number of private owners is increasing (source: census 2001). The large share of privately owned housing in Moravská Třebová (about 55 per cent of total compared to 15 % in Jevíčko) results mainly from municipal policy. Within a privatisation process launched in the early nineties, about one third of the remaining 703 apartments owned by the Town will be for sale.

a) Housing needs and construction project trends in the Czech Republic and MTJ

One of the main consequences of the shortage of dwellings in MTJ is a very high level of demand for municipal apartments that cannot be satisfied on the short term: the average waiting time in Moravská Třebová is about 5-6 years. Considering the data for ten municipalities of the MTJ micro-region (75% of the total population) the number of applicants per 1000 inhabitants appears particularly high in certain towns such as Jevíčko and Brežina:

Table 29. Applicants for municipal apartments in the MTJ micro-region, mid 2001

Municipality	Population	Number of applicants	Applicants per 1000 inhabitants
Moravská Třebová	11652	312	27
Vranova Lhota	517	2	4
Staré Město	982	20	20
Rychnov na Moravě	578	5	9
Línhartice	595	0	0
Kuncina	1200	16	13
Jevíčko	2802	169	60
Jaromice	1263	0	0
Chornice	825	5	6
Brežina	394	15	38

Source: MTJ association of municipalities.

To fulfil needs, construction and renovation started in most of the municipalities during the 1994-2001 years. Also, to sustain implementation of new housing units the vast majority of municipalities has prepared parcels for individual housing, or is planning to do so. Nonetheless, three projects of new parcels have been stopped due to financing constraints and infrastructure problems. Smaller municipalities such as Utechov cannot afford anymore the cost of infrastructure associated with the implementation of new parcels.

More generally, the housing situation in the Czech Republic should improve slowly, although in 2000 construction production is still lower than in 1990 for the whole country, and construction, repair and maintenance work decreased by 6.9 per cent (in constant prices). Moreover in 1990, new construction was focused on apartment buildings (approximately 62%), while in 1998 their share was only about 43 per cent. According to market analysts, this situation results from surpluses in the market for residential sales that tend to lower the price. Recently built residential projects will probably continue to have difficulties in selling all units. In addition, rents are under strong control, which limits returns for owners. About twenty per cent of finished

constructions are housing extensions and forty per cent are for owner's use (year 2000). Consequently, only a small share of the 23 074 finished constructions will be for sale. Similarly, in the municipality of Moravská Třebová, 700 apartments have been under major repair, some of them have been totally rebuilt while others have been renovated. Regarding private owners, even if land can be inexpensive in some municipalities, total cost of construction including purchase of land is about Czk 2 million, which is quite unaffordable for most households.

Table 30. Renovation and construction summary in MTJ

Municipality	Renovation	Construction summary 1994-2004	Parcels in preparation	Projects of new parcels	Remarks
Moravská Třebová		700	0	37 apartments	Marketing inquiry
Vranova Lhota	0	0	0	-	-
Utešov	0	0	20	0	-
State Mesto	2	11	0	50	Lack of roads to access parcels planned, State grants requested
Rychnov na Morave	4	0	0	Number unknown	Families cannot afford construction costs
Linhartice	0	0	0	Number unknown	State grants expected
Kuncina	1	0	0	-	-
Jeviško	101	58	18	-	-
Jaromice	2	0	0	-	-
Chornice	4	5	15-20	-	-
Brezina	1	0	0	-	-

Source: MTJ association of municipalities

b) Level of rents in the Czech Republic and in MTJ

Dwellings built with the use of public funds in the Czech Republic are subject to regulated rents (regulation 176/1993). According to the Ministry for Regional Development, the average regulated rent increased by 783 per cent in ten years and represents about Czk 1 183 in 1999. Nevertheless, there is a low offer of affordable housing in localities with relatively numerous employment opportunities. Dwellings built without public funds are rented on the basis of a non-regulated contract between owner and tenant. The level of rent depends on

the category of the apartment. There are four different classes, distinguished as follows: first class includes apartment with central heating, electricity, gas, water closet, bath or shower. Second class provides the same accommodations but with local heating. Third class has no private bath or shower and fourth class has no private water closet. For Moravská Třebová, the regulated rent paid for an apartment of 60 square metres, first category (benchmark size for the Ministry for Regional Development) is Czk 1 516.8 (up to four times cheaper than rent paid in Prague). Rental levels in Moravská Třebová for other categories of dwellings and occupants (before 1990 or thereafter) are specified in the following table:

Table 31. Regulated Rent in Moravská Třebová

Category	Occupants living there before 1990	Occupants living there after 1990
	Level of rent CZK/m ² /month	Level of rent (non regulated)
First	14.91	25.3
Second	11.1	21.6
Third	8.6	19.5
Fourth (very simple)	6.21	16.6

Source: Moravská Třebová municipality

The 60 square metre first category benchmark corresponds to about 16 per cent of monthly GDP per capita in the MTJ micro-region. In Moravská Třebová, total housing expenditures for a 59 square meter first category apartment amount to 21.2 per cent of GDP per capita (20% for a co-operative apartment). In comparison, for the Czech Republic total housing expenditures (rent, heating and various fees) amount to 19.4 per cent of the average household income. In order to help young families (up to 30 years of age) and those with low-income (below 1.6 of the subsistence minimum i.e. less than Czk 6 560 per month), loan and housing allowances from the budget of the Ministry for Regional Development exist. These cover rent and associated costs such as heating but they are being gradually replaced by the new social allowance system mentioned above.

The existing rent control system itself will be subject to change, although timing and exact conditions are not yet specified. The proposal for a new system aims at gradually eliminating the current system of regulation. Within the new system two types of rents are planned. Contractual rent will be determined on the basis of an agreement between the landlord and tenant with adjustment and framework defined by law. Cost controlled rent for apartments

owned by housing co-operatives and non-profit organisations will be set so as to cover operating costs of rental housing. Mechanisms will be sought to avoid strong differentials or large increases within a region and between regions.

c) Use of subsidies in MTJ

Only five municipalities of MTJ received subsidies between 1998 and 2001: Moravská Třebová, Jevíčko, Chomice, Mestěčko Tmavka and Stare Mesto (source: Ministry for Regional Development). In total, from 1998 to 2001, subsidies were allocated for 555 apartments in the Svitavy District, with 182 located in MTJ (33 per cent of total). The amounts for years 1998 to 2001 are respectively 26.61, 12.02, 15.68 and 5.049 million CZK, with an average of 85 per cent of funds allocated for Moravská Třebová.

Although the situation of housing in MTJ is not unique in the Czech Republic, a certain number of aggravating factors appear due to the lack of sufficient resources of municipalities, particularly the smallest, to maintain the housing stock and facilitate new construction. To retain young people and attract new inhabitants additional efforts will probably have to be made with further state support in favour of micro-regions like MTJ. This again brings forward the problem of geographical level of targeting of aid.

Local transportation

National transportation policies

Public bus transportation in the Czech Republic is regulated by the Law on Road Transport No 111/94. This law defines elementary transport services as: "Provision of adequate transport during the whole week on the ground of public interest, especially to schools, offices, courts, hospitals providing elementary health care and to workplaces, return transport included." The range of the state contribution to the execution of elementary transport services is established with regard to local conditions and available district authorities budget resources. Engagement in public services entitles the carrier to receive financial compensation from state and local authorities to cover unavoidable losses resulting from the operation of non-profitable lines. These are defined by law 50/1998 as a difference between economically justified costs and adequate profit on one side and achieved returns and pays-off on the other. In case more than one carrier operates on a given line on a competitive basis no compensation is allocated for that route.

Public service licenses under concession, detailing rights and obligations of the operators, are delivered at the district level. Engagement of public services consists in regular operation of agreed lines in compliance with the authorised timetable, on the basis of regulated fares. Delivery of license takes into account existing railway lines in the region, with preference for rail transport whenever relevant. There are no special technical requirements for vehicles used in public transportation but buses must of course comply with common technical and safety standards. Transport authorities are entitled to require installation of special equipment to permit access for the handicapped.

Organisation and implementation of transportation policy in the Czech Republic will undergo changes in the context of the regional reform and EU accession. Mechanisms for subsidising road and rail transportation will have to be reviewed to ensure compliance with the *acquis communautaire*. Transfer of competence in transportation matters from the district level to the NUTS III regions implies a redefinition of the sharing of financial responsibilities between different levels of government in these matters. It also supposes a redefinition of the concept of regional transport service provided on the basis of public service obligation principles within a wider area network. Other matters of future concern are the establishment of integrated systems combining different modes of transportation, the creation of a central information system and improved conditions for gradual accessibility of handicapped people to all public transport¹¹.

Transportation policies in MTJ

The public service obligation in the field of transportation in MTJ is translated into service for all municipalities, however small, albeit at different levels depending on the size of the population. Division between long distance routes, main lines and feeder lines means easier access and higher frequencies of stops in bigger towns located on main lines than in smaller more remote communities. In spite of these understandable differences, bus transportation in MTJ can be considered to be generally satisfying for the majority of inhabitants. This is achieved through the deficit-sharing scheme that covers operator's losses while affording them a reasonable profit margin destined partly to finance investment in new vehicles and equipment. In the case of MTJ where all bus routes are in deficit, total annual subsidies amount to Czk 33 million, shared in the following way:

- Municipalities of the micro-region: Czk 6 million
- District authority: Czk 7 million

- National government: Czk 20 million.

To avoid an excessive burden on the finances of the smallest municipalities, a solidarity principle at the district level based on the number of inhabitants is established whereby municipal contribution to deficit financing is calculated at Czk 60 per capita. Operating costs represent on average Czk 25 per kilometre, financed at a 50 per cent level through subsidies, with ticket sales covering the other half. On the user side, price of tickets average Czk 12 for each 10 kilometres and half that amount for children under twelve (60% reduction for disabled people). There is no reduction for elderly people.

The Svitavy District launched a transportation survey and study¹² mid 1998: all mayors were sent questionnaires devoted to the quality of public transport service, citizen's complaints and major changes in destinations. Forty-two completed questionnaires, less than 40 per cent, were duly returned. Almost half complained of a high occupancy rate of some bus connections, some 15 municipalities believed they needed more bus connections while the same number of respondents registered buses running with too few passengers. Four communities complained of bad transport links to and from work, another two of inadequate connections to health facilities and public offices, three of insufficient transport services during return from second (afternoon) shifts, and one complained of inadequate transport for passengers returning from evening entertainment. Eleven municipalities reported a major share of their inhabitants commuting to shift work. Five communities reported loss of job opportunities because of transportation problems, while two reported the creation of new jobs thanks to adequate transportation.

Following this survey and the publication of the report, improvements but also streamlining of bus service were made in the District in several areas. These concern: better connections, additional stops, more frequencies on certain routes, additional services to better respond to working shift patterns, removal of unnecessary parallel services between rail and bus and reduction of service in smaller remote communities. In the case of MTJ these proposals were translated in particular into improved services over weekends, with increased frequencies from Moravská Třebová to Svitavy on Saturdays and Sundays and new Sunday evening service to Brno, convenient for students. However some of these were later abandoned for lack of sufficient number of passengers. For weekdays more flexibility was introduced on certain routes in response to shift patterns. This implies close co-operation between municipal authorities, employers and operators. In MTJ, the dominant operator CSAD Usti nad Orlicí responds where necessary to requirements of shift rotation, with schedules adapted at least four times a year¹³.

If co-operation between district authorities, municipalities and employers is developed in the field of transportation today in MTJ, there does not seem to be co-operation between municipalities to deliver equivalent quality service to all users. Many bus stops are not sheltered and installation of equipment in this field is at the discretion of each municipality. Likewise, no specific effort has yet been made to facilitate use of bicycles up to bus stops by creation of secure parking areas even though around 20 per cent of the working population go to work by bicycle. Another future issue rests on the transfer of responsibility in the field of transportation from the district to the NUTS III region which will put local transportation matters in a wider context, in particular road and rail co-ordination.

Summary

At this stage of transition, the MTJ micro-region is increasing co-operation between its members but financial resources still remain modest versus potential areas of joint action. Lack of staff will prevent smooth implementation and follow-up of strategy to be decided, with citizen's active support still to be enlisted. Regional Development Agencies can be instrumental in the local development process but their resources and capacities vary from region to region. In the case of MTJ, with a good agricultural potential, it appears that this sector could be usefully better targeted for specific action both to increase efficiency of bigger farms in terms of access to credit and marketing and to sustain smaller ones, in particular through diversification. The Industrial Zone programme can facilitate industry investment but implementation would be preferable under the aegis of the micro-region. SME support programmes greatly need more systematic dissemination of information to reach potential beneficiaries. Tourism seems a new and promising area but competition is strong, with initial efforts (cycling paths, architectural heritage renovation) needing to be completed by action in other areas (lodging infrastructure, promotion).

In the field of social policies, joint efforts by the district and the different municipalities have not been able to overcome a higher than average jobless rate. Improvements in the labour market information system will have to be sought as well as better territorial targeting of ALMPs. The disappearance of the district will require adequate action for this purpose on the short term. The field of education reflects demographic trends with closing of certain classes and insufficient teaching resources. Also, input into the job market by co-operation with the private sector could be improved to diminish the relatively high number of hard to fill vacancies. Concerning cultural and sports

activities, MTJ municipalities pursue policies that enhance the attractiveness of the area and they should continue to receive proper attention.

In the field of infrastructure, transportation policies, a district responsibility being transferred to the NUTS III region, offer a certain degree of initiative at the level of the micro-region. Determination of lines and frequencies is conducted in close co-operation with the municipalities that participate in the necessary subsidising of the bus companies ensuring a public service that cannot be operated at profit. These policies ensure an adequate level of service in the area. Housing, in spite of big efforts by all municipalities, remains a big area of concern reflecting countrywide issues. Tackling these problems (maintenance, new construction) is out of reach of municipalities that already receive a fair amount of state support for that purpose. Reinforced aid programs for certain micro-regions experiencing specific difficulties like MTJ could be part of the answer.

APPENDIX TO CHAPTER 4

The role of social capital in sustaining human well-being

OECD (2001*d*) defines social capital as “networks together with shared norms, values and understandings which facilitate co-operation within or among groups.” Networks, civic traditions and trust take time to build but can be dissipated quickly, and are frequently a by-products of activities in families, schools, communities, firms and other institutions. Social capital is a resource that resides in the relationships within and among groups. It can lower transaction costs, increase creativity and innovation, and improve the well being of individuals and communities. However, it can also undermine social harmony and impair economic performance, for example when networks are used to pursue narrow group interests.

While measuring social capital is problematic and still in its infancy, most empirical applications have focused on proxy measures of (survey-based) levels of inter-personal trust, and of (survey- or administrative-based) levels of engagement or interaction in social or group activities. Despite differences in the proxy used, a range of studies suggests that social capital can deliver important benefits. Some of these benefits are economic, such as increased firm productivity, effective job search and better career prospects, at the micro level; and higher investment and GDP growth at the macro level — although, in the latter case, evidence is weaker when analysis is restricted to OECD countries. Perhaps most significant is the evidence of impacts on other aspects of well-being, including education outcomes, child welfare, health status, avoidance of crime, neighbourhood vitality, quality of democratic governments, subjective measures of personal happiness. Some of these benefits accrue directly to the individual investing in social capital (e.g. positive health impact for elderly with high level of social connectedness), others spill-over to other group members (e.g. better educational outcomes for children that benefit from a high degree of parental involvement) and to communities at large (e.g. better residential quality in neighbourhoods with active community life). While directions of causality are difficult to establish, there is evidence that much of the impact of social capital on outcomes such as productivity may be indirect,

through its facilitating role in enhancing the quality of human and physical capital investment and of institutions (OECD, 2001*d*). There is also evidence that social capital along with human capital impacts strongly on health and personal well-being, whereas the effect on these variables of higher income may diminish beyond certain thresholds.

Evidence of trends in social capital among OECD countries is mixed. Putnam (2000) points to a long-term decline in social and civic engagement in the United States. In general, a decline of some forms of social connection (through families, neighbourhoods and traditional mass organisations) is accompanied by the emergence of other forms of social connection (*e.g.* internet, work-based contacts and single-issue movements), often more distant, transitory, and self-interested. Some of these trends may be the outcome of unavoidable changes in our economies and societies as they develop, and may be offset by increases in the supply of other types of capital. However, in a number of circumstances, the scope for substitution may be limited. In these cases, the public-good characteristics of social capital might lead to under-investment and declining future well-being.

From *The Well-being of Nations: The Role of Human and Social Capital*, Paris (OECD, 2001*h*).

Table 32. Summary of measures in favour of SMEs in the Czech Republic

Major national programmes	
Guarantee	Programme: subsidised guarantees for up to 70% of the value of loans made to independent SMEs with not more than 250 employees. 417 guarantees agreed under this programme throughout the Czech Republic in 1999. Just under one in five of these guarantees was for businesses operating in Eastern Bohemia. (1999 CMZRB Annual Report)
Credit	Programme: subsidised loans of up to CZK 4 million for independent SMEs with fewer than 50 employees. Loans at fixed rate of 7%, over a period of up to 6 years. 178 loans, with a total value of Czk509.5 million made under this programme in 1999.
Small loans	Programme: non-bank loans for SMEs with up to 50 employees. Disbursed by MIT, through the Business Development Agency. Loans are available, with special conditions (<i>e.g.</i> deferred payments) for between Czk0.3 million and Czk1 million.

Table 32 (continued)

Other national programmes	
Market	Initiative: subsidies to support the costs of loans to businesses to execute an agreed business plan, with the specific aim of encouraging SMEs to compete on international markets. Subsidies to cover the cost of obtaining relevant certification such as ISO9000 or ISO14000.
Co-operation	Project: Subsidies of up to 50% of cost of projects, such as joint marketing or training exercises, executed by associations of SMEs.
Special	Initiative: Assistance to disadvantaged groups by subsidies for businesses that employ disabled or 'vocally inadapted' individuals.
Marketing	Programme: Subsidies to enable SMEs (fewer than 250 employees) to meet costs of activities such as obtaining marketing information, attending training courses in marketing, creation of marketing materials, obtaining marketing advice or attending trade fairs or exhibitions.
Consulting	Designed to encourage innovative activity among SMEs. Subsidies towards cost of obtaining approved consultancy services, services of Business Innovation Centres or attendance at seminars or training programmes. Special provisions for women entrepreneurs.
Design	Initiative: Subsidies of 50% of cost of various activities related to improvement of design by SMEs, for example accessing design consultancy services.
Regional programmes	
Region	Programme: Designed to improve attractiveness of business activity in 'structurally affected' and 'economically weak' regions, (Svitavy District in latter case). Subsidy towards interest costs of a loan intended for the execution of a business plan.
Village	Initiative: Similar support for business activities in villages with fewer than 3 000 inhabitants.
Regeneration	Programme for a range of specified localities, including Moravská Třebová.
Operation	Programme: Operating loans (fixed rate 9%) for enterprises with fewer than 50 employees based in economically weak areas (including Svitavy) and/or small villages.
Regional guarantee	Programme: Loan guarantees similar to those under GUARANTEE, in economically weak regions. Guarantee of up to 75 per cent of the principal and unpaid interest on a loan that meets the conditions of the programme.
Preference	Loan for purchase of tangible or intangible fixed assets in economically weak regions. Up to 5CzK million, interest rate 5%.
Border	Realisation of a project, up to 7CzK million, interest rate 6%, border regions only.
Special	400CzK per month for 4 years for each newly employed people from problem groups.

Source: From "Podpora Podnikání" (Support for Business), Ministry of Industry and Trade (2000), Czech Moravian Guarantee Bank (CMZRB).

NOTES

1. Referenda of this type are prohibited by Czech electoral law but nothing prevents the population from expressing its views on a given issue within a "survey" organised by municipal authorities.
2. *Source:* Svitavy office of the Ministry of Agriculture.
3. National Development Plan of the Czech Republic, Sectoral part on Tourism and Spa Industry.
4. The existing official Czech Tourist Authority website will be replaced as of March 2002 by a comprehensive system pooling, validating and up-dating more efficiently information gathered and edited by the public tourism entities at different geographical levels. The system, called *Czechtourservice*, will present a common set of graphic standards and content requirements and will offer the possibility of on-line reservation in a second stage.
5. Information provided by micro-region authorities.
6. Subsidised short-term jobs, usually in environmental or social activities, targeted at unemployed people with low levels of qualification.
7. Subsidised long-term or permanent jobs in public sector organisations, targeted at unemployed people with some qualifications and/or those that have completed re-training programmes.
8. See also: *Information and Communication Technologies and Rural Development*, OECD Publications, July 2001.
9. Data provided by the Association of MTJ Municipalities.
10. Most of the following is based upon the document 'Housing policy', produced by the Ministry for Regional Development.
11. Information on Czech national policy in the field of transportation provided by Miroslav Čapka, Transport Research Centre of the Ministry of Transport and Communications (Brno).
12. *Optimisation of Transport Services in the Svitavy District*, elaborated by Cityplan (Odbor 4, 120 00 Prague 2).

13. Information on local transportation matters provided by Department of Transport in Svitavy, MTJ association of municipalities and CSAD Usti nad Orlici.

CHAPTER 5

RECOMMENDATIONS IN KEY SECTORS

Introduction

At the outset of the review of the Moravská Třebová-Jevíčko micro-region and policies deployed to foster local economic and social development, a certain number of major findings arise. They have led to a set of recommendations in different vertical sectors as well as in terms of governance, the latter being presented in the last chapter of this report. The main findings, common to all sectors are the following:

- Dissemination and circulation of information on national, regional and local policies and procedures is insufficient. Many potential beneficiaries ignore these possibilities and when they are aware of them, they tend to consider that fulfilling the formalities properly is too much of a time consuming process, with an uncertain result, to be worthwhile. Co-ordinated efforts to correct this situation appear necessary in most areas, not only for matters of efficiency but also to better explain policies so as to mobilise adequate support.
- In many areas there appears to be local leverage within the framework of existing national policies and financing schemes. More systematic use of available tools, better internal organisation and use of data and statistics would permit to achieve higher efficiency in delivering certain support services. Policies in the field of training of public administration officials should fully take this factor into account.

These remarks are valid for the three areas where specific recommendations are made with a view to facilitating the development process in the micro-region: the labour market and support of entrepreneurship; agriculture and rural development; tourism and the environment. Basically, this

means that there is room for improvement in many cases at little or no cost. On the other hand, some proposals aim to accelerate the process of change and entail expenditure. They could be financed as pilot projects with reference for application in other micro-regions. Lastly, some situations have a direct bearing on national policy areas, such is the case of SME support, which is hindered by the high cost of access to credit in the Czech Republic. Developing tourism infrastructure in micro-regions like MTJ will require from this point of view a proactive policy at the national level including specific support schemes.

Labour market

General conclusions and recommendations

The Labour Office in Svitavy expended around czk 13 million on active labour market policies in MTJ in 2000, almost one third of the total budget for the district. This activity contributed towards the creation of 316 new jobs and 49 training places. These programmes have undoubtedly helped to alleviate some of the problems of high unemployment in the MTJ micro-region. However, there are several potential areas for local action that would help to address the problem of high unemployment more effectively. These might include:

- A refocusing of local ALMP from wage / recruitment subsidies and public works towards more efforts at job matching and 'activation' of people that have been out of work for 6 months or more. This might include a local version of the UK 'Restart' programme providing targeted counselling and support for LTU people (see box). This may involve discussions with the Ministry of Labour and Social Affairs to investigate to which extent human and financial resources may be switched between general funds and ALMP budgets.
- Encouragement of small-scale job creation in the more remote villages, e.g. by encouraging farm diversification and/or the creation of micro businesses on farm premises.
- More intensive efforts to identify and work with growth industries and businesses. This could focus upon tourism and ICT.

- Closer collaboration between employers and the education sector to ensure that young people and their parents are sufficiently informed about employment opportunities through various channels including the Internet. This would also help to ensure that the type of education and training provided in schools and colleges is more closely matched to the needs of employers.
- More targeted assistance to unemployed people, particularly young people, to start up micro businesses, linked with appropriate training programmes, advice and business support.

Local labour market information system

There is room for improvement of the local labour market information system either by better use of existing data or by gathering of specific information. There will necessarily be significant start up and learning costs associated with the suggested actions, which are unlikely to be met entirely from the resources of the local Labour Office. Moreover, given that improvements to local labour market information systems are likely to be required across the Czech Republic, any developments in Svitavy will have widespread benefits. As such, it is legitimate to suggest that at least part of the costs be borne from outside the district. Possible sources of finance and/or technical assistance might be:

- The Ministry of Labour and Social Affairs (MoLSA);
- The EU Phare twinning project between MoLSA, the UK and German Employment Ministries, which is looking at issues of labour market information and ALMP policies;
- The EU-funded National Training Fund (NVF), including the Observatory programme and the Pro Active Labour Market Intervention Fund (PALMIF);
- The Ministry of Regional Development;
- The National Statistics Office;
- The Regional Development Agencies.

On the assumption that an appropriate package of financial and technical assistance can be put together, and on the basis that Svitavy and/or

MTJ might be viewed as potential pilot areas for a wider national project, the following activities are suggested.

Table 33. Suggested actions on improving labour market information

Activity	Time scale in months	Priority	Organisation(s) involved	Resource implications	Possible external support
Information on employer skill requirements					
Detailed analysis of current vacancies in Svitavy District, using existing data + identification of further data requirements	1	**	Svitavy LO	LO staff time (statistics)	MoLSA Phare
Undertake a survey of all employers with current vacancies in MTJ to obtain more details of skill and qualification needs, hard-to-fill vacancies, recruitment methods etc.	3	***	MoLSA Employer orgs	Technical assistance	NVF
Develop and pilot new methods of recording, monitoring and analysing vacancy statistics	6	***	Research org.	Survey costs	
Instigate regular sample survey of employers focusing upon vacancies, recruitment and current/future skill needs	6	**		New systems, software, etc.	
Information on characteristics of unemployed people					
Detailed characteristics of current stock of unemployed in MTJ, using existing data + identification of further data requirements	1	**	Svitavy LO	LO staff time (statistics)	MoLSA Phare NVF
For a period of one month, collect detailed information from newly-registered unemployed people in MTJ, record on a data base and produce analyses	3	**	MoLSA Research org.	Technical assistance Survey costs	
Develop and pilot improved methods of routinely recording, monitoring and analysing the characteristics of unemployed people, including effective follow up of out-flows	6	**		New systems, software, etc.	
Information on out-flows from the unemployment register					
Analysis of the characteristics of people that have left the unemployment register in MTJ during the past 3 months, using existing data + identification of further data requirements	1	**	Svitavy LO MoLSA Research org.	LO staff time (statistics)	MoLSA Phare, NVF
Follow up all people leaving the unemployment register in MTJ during a single month to collect information about location and type of job obtained, etc.	3	*		Technical assistance	
Note: *** = High priority ** = Desirable * = optional					

Source: OECD Secretariat, 2002

Active local labour market policies (ALMPS)

Counselling of unemployed people

Counselling of unemployed people by local labour offices in the Czech Republic is not systemically pursued. The MTJ micro-region could be used as a pilot for an initiative similar to the 'Restart' programme in the UK and others in a number of OECD countries. Job seekers approaching 6 months of unemployment should be obliged to attend an intensive interview with a trained advisor. This would explore in detail all the options available, including training opportunities and public works programmes. Job seekers should also be offered support and training in areas such as completing application forms, compiling curricula vitae and interview techniques, through 'Job Clubs'.

Box 2. The 'Restart' programme in the UK

Unemployed people must attend the local 'Job centre' at regular intervals -- usually once every two weeks at times decided by the Employment Service -- in order to 'sign on' as unemployed and declare they are 'actively seeking work'.

During these regular visits unemployed people may discuss with an advisor their employment options and their job search activities. It is not compulsory for employers to notify vacancies to the Employment Service, so unemployed people need to look beyond the Job centre in order to find work.

Once unemployed for 13 weeks, a person is referred to a specialist for a more in-depth interview that examines job search activities and employment or training options. At this stage claimants are required to widen the scope of jobs they are prepared to accept, in terms of occupation, wage level and location.

After six months all unemployed people are required to attend a 'Restart' interview with specialist counsellors. This policy, in place since 1986, has been modified in various ways, but the core concept is that there is a need for further 'activation' of the job search after this period.

The Restart counsellor will explore options with the unemployed person, including attendance at special courses on job search and 'employability' skills, 'Job Clubs' with tutors to assist in job search and interview skills and/or other training or work experience programmes, such as temporary work 'tasters'.

The main resource required in order to implement a Restart-type programme is the availability of trained specialist counsellors, and the deployment of their time in order to concentrate on assisting people who may have become discouraged from seeking work and/or may not be fully aware of the options available to them. It also requires an appropriate information system and the possibility of imposing sanctions (such as possible loss of benefit) on those people that refuse to attend interviews.

Source: OECD Secretariat, 2002.

This type of programme is usually backed up by sanctions in terms of benefit withdrawal if people refuse to attend or take up legitimate opportunities. This may be difficult to put into effect in the context of the Czech benefit system, but it is important for the labour office to impress upon job seekers that they have a direct responsibility to actively search for work.

Such an initiative would be particularly important for two categories of job seekers in MTJ. The first one concerns long term unemployed people who may feel discouraged from seeking work and may lack some of the necessary basic 'job seeking' skills. The second one is older people with limited experience in the past of the job seeking process. These groups represent a potential pool of experienced labour that could fill some of the hard-to-fill vacancies reported. Helping such people to obtain work would also reduce pressure on social benefit payments.

Vacancy taking and monitoring

In spite of the legal obligation to declare job vacancies in the Czech Republic, it appears that some potential opportunities might escape the labour office. It is recommended that the MTJ area pilot the operation of a pro-active advisory service to local employers. This service would target small and medium sized employers and those in potential growth sectors. The service would aim to identify potential employment opportunities that might be filled by unemployed people. Recruiters would be given advice about how to find the right people and, if appropriate, pre-select candidates for interview. In some cases employers may be interested in facilities such as rooms in which to conduct interviews, printing and distribution of application forms and other services typically offered by private sector recruitment consultants. Of course, it would also be necessary to provide advice and assistance on compliance with the relevant labour laws.

Wage and recruitment subsidies

The high level of job retention in favour of beneficiaries of wage and recruitment subsidies in MTJ suggests that comparable results might have been attained at a lower level of support, thus permitting reallocation of funds towards other types of ALMP. It is recommended that lower levels of subsidy and/or shorter periods of subsidised employment be tested, allowing possible adaptations of national policy. A maximum subsidy of 50 per cent of salary costs and a maximum period of 6 months of subsidised employment are suggested. The programme should also be targeted upon employers that have

had limited experience of employing young people (e.g. growing small or medium sized businesses), and should aim to support low qualified young people or with those with qualifications in limited demand. Such a programme should be monitored closely and could act as a *national pilot*.

Investment incentives

The encouragement of investment in areas of high unemployment is an important component of ALMP, commonplace in many countries and acceptable under EU rules. Given the national rules that are attached to the payment of such incentives, by definition little can be done at local level to test out alternative approaches. It is thus recommended that the local labour office monitor all future investment grant payments very closely in order to identify more clearly those types of projects that have the greatest impact on job creation and business competitiveness in MTJ. In particular, Since the same levels of support are available for employers investing in MTJ as elsewhere in Svitavy District, it is important to ensure that residents have access to new jobs, even when they are created outside MTJ. The granting of investment incentives should also be linked to the operation of existing training programmes. Lastly, the disappearance of the district raises in particular the question of the future territorial targeting of such incentives or aids. It is suggested that national authorities, in close co-operation with the new regional bodies, define the criteria to be applied to micro-regions for activation of such measures, so as to target those, like MTJ, that encounter specific problems justifying a preferential treatment.

Training and re-training

Without altering the basic rules applying to the provision of training and re-training grants there is some scope to adjust the operation of the system at the local level. The local labour office should thus attempt to build upon the successes of the system to ensure that grants are more clearly targeted on individuals and employers that are likely to make best use of these to create sustainable new jobs and raise the overall skill level of the population. The first stage would be a *thorough review of training and re-training programmes supported during the past 12 months, focusing upon MTJ*. This would examine the outputs (new qualifications, jobs filled, etc.) and outcomes (job opportunities, improved skills, productivity) associated with different programmes. Following such a review, the process by which grants are approved might be adjusted to ensure the best value for money in the local area.

As mentioned above, young people and their parents appear to be inadequately informed about the skill and qualification needs of the local labour market, despite the best efforts of school and college teachers. The enhanced local labour market information system suggested could be an important means by which information flows can be improved. It will be important to ensure that information about future job opportunities and skill needs is effectively disseminated to young people and their parents, preferably through a stronger focus on careers education and guidance at school level. The labour office website (www.upsy.cz), in principle, presents an opportunity to disseminate such information. There is a need to update its contents and presentation and to promote its availability to individuals and organisations alike.

Public works

There is no doubting the potential usefulness of public works programmes, as long as they are not considered only as temporary work schemes without regard to the acquisition of other or improved employment capacities. The effectiveness of public works programmes in MTJ should thus be evaluated thoroughly, with a focus upon the subsequent employment experience of subsidised workers. In the meantime, great care should be taken to ensure that priority is put upon projects that clearly meet at least one of the conditions outlined above, in order to release funds for other ALMP initiatives that may have a greater impact for the same expenditure.

Business start up support

Proposals concerning the further development of SMEs in MTJ are outlined further. There is a strong case for an examination of the extent to which the training funds available to the labour office might be used to support a free or subsidised training programme for people who are thinking of starting their own business. Attendance at such a programme could be linked with the payment of grants or other forms of support, and it may be possible to involve local banks, accountants and other professionals in its delivery. The existence of such a training course would also have the wider impact of alerting young people and job seekers to the possibility of 'creating your own job' through self-employment.

Education and high growth sectors

Proper attention should be given to filling vacancies in high growth sectors such as computer software programming and production. The ORCZ computer firm based in Moravská Třebová recruits many members of its staff from outside the micro-region. The opportunity of training students in this field exists in the nearby Mohelnice High school and should be encouraged by proper dissemination of information on this sector for which the Czech Republic seems to experience a shortage of human resources. Such an approach might even facilitate the creation of future start-ups in this field.

Summary of proposals

Table 34. Suggested actions on improving the effectiveness of ALMP expenditure

Activity	Time scale in months	Priority	Organisation(s) involved	Resource implications	Possible national support
1. Review and evaluation of current activities					
Instigate thorough review of ALMP expenditure, utilising existing information sources	0	+++	Svitavy LO	LO staff time (statistics)	MoLSA Phare
Detailed review of impact of training grants in MTJ, using existing data & collecting new data if needed	6	++	MoLSA Research	Technical assistance	
Detailed review of impact of public works in MTJ, using existing data & collecting new data if needed	6	+++	org		
2. Pilot initiatives					
Develop and commence pilot of 'Restart' initiative	3	++	Svitavy LO	LO staff (man, advisory)	MoLSA Phare
Develop and commence pilot of employment advisory service for employers	6	+	MoLSA Business Dev Service	Technical assistance	Bus Dev Service RDA
Pilot reduced subsidy / time period for young persons' recruitment support	6	++	Employers Trainer(s)		
Run a short training course in MTJ on business start up skills	6	+			
3. Dissemination of labour market information					
Disseminate local labour market information to young people, schools, parents and employers through meeting(s) and other mechanisms	6	+++	Svitavy LO MoLSA Schools	LO staff (man, admin, stats)	MoLSA Phare
Develop and publish LLO website	6	++	Employers	Technical assistance	

Source: OECD Secretariat, 2002

Table 34 provides a summary of key ALMP recommendations in the Svitavy District and in MTJ. Many are contingent upon the undertaking of a more thorough review of the scale, structure and (most importantly) the impact of ALMP expenditure over the past 12 months. Notwithstanding, there are a number of recommendations that can be acted on in advance of the conclusions of such a review.

Entrepreneurship

Main findings

There is an abundance of support that could be made available to SMEs operating in MTJ in the form of loan guarantees, subsidised loans, consultancy or training services and advice on a wide range of issues. However, it is necessary to qualify this statement with a number of observations:

- Information regarding the number of businesses that make use of services and/or the financial value of support is sparse at the national and regional level and non-existent at the local level. However, information that exists suggests that MTJ businesses have made very limited use of the available programmes, an assertion supported by discussions with selected entrepreneurs.
- It does not appear to be the case that information about the available support is disseminated widely to SME owner-managers, and the information that does exist is rather technical and detailed, focusing upon – for example – eligibility criteria and sanctions for non-compliance.
- In most cases, financial and other support is not automatic, but often requires considerable time and effort to complete forms and produce business plans etc. Entrepreneurs may be reluctant to invest this effort without knowing that they have a reasonable chance of success.
- The nearest branches of the organisations that can provide government-funded support – CMZRB, the RPIC and the BIC – are all located outside of MTJ, and there appears to be no ‘outreach’ work with local organisations or businesses by these agencies.

- Financial support programmes would be of most benefit to businesses that are eligible for bank loans but may be deterred by cost. Also, guarantee programmes may help businesses that are marginal for banks (e.g. they have a good business plan but lack sufficient collateral). Besides, limited support is available for businesses in sectors deemed 'high risk' by banks.

Overall conclusions

The prospects for focusing upon the local SME sector as a major component of a local development strategy do not seem encouraging today. However, evidence from other countries suggests that while SMEs cannot and should not be seen as the only source of growth, local development strategies must include as an important component support of the SME sector. In addition, the mission did uncover some positive aspects on which it may be possible to build in future. These include:

- Young people (ages 17/20) met by the OECD team in June 2001 had positive ideas for creation of new businesses that would support employment and enhance the local economy.
- Many of the potential business ideas, particularly relating to the tourism sector, do not require huge investment. What is required is greater confidence on the part of potential entrepreneurs, improved entrepreneurial skills and ongoing advice, support and training.
- There are examples of successful SMEs that could be used as exemplars (business champions) for young people and others who are interested in starting a business.
- At least one of the banks (the Czech Savings Bank) is developing specific programmes in association with government schemes to assist with the development of small businesses.
- There is a national network of business advice centres (RPIC) and Business Innovation Centres (BIC), available to SMEs operating in MTJ. There is potential to encourage local businesses to make more use of subsidised business advice, support and training.

Recommendations

Recommendations for action at local level are as follows:

- Setting up a small-scale, but highly visible, local information centre for SMEs. This could be linked to the RPIC in Pardubice and to the BIC in Brno. Local banks, accountants and others could be encouraged to participate. This is a vital pre-requisite for the implementation of other recommended initiatives. Initial investment should be limited to finding suitable premises and undertaking basic renovations. The centre could be staffed initially by one person, supported by administrative staff from the municipalities and/or volunteers from the private sector. The MTJ association of municipalities should include such a project in its action plan and mobilise the required financial resources (see next chapter).
- Running a small-scale 'youth enterprise' programme (see chart in appendix), aimed at increasing the understanding of, and enthusiasm for, small business activity among school, college and university students. This could be linked to a grant, loan and mentoring programme for young entrepreneurs similar to those operating in a number of European countries.
- Drawing upon the potential of ICT to improve the reach and performances of local businesses through adapted sensitisation and training courses financed with MIT and Rural Renewal Program support, based on the Action Plan of Realisation of State Information Policy. This effort should in particular be channelled through and/or adequately co-ordinated with the implementation of the preceding two proposals.
- Studying the possibility of setting up a small-scale local micro loan and/or mutual guarantee scheme aimed particularly at people wanting to start up businesses that require relatively modest investments, for example in the tourism sector. This would require some pump-priming money from local agencies and/or financial institutions, but would also need the participation of entrepreneurs along similar lines to a credit union. Initial research about the feasibility and potential take-up of such a scheme should begin immediately.

- Encouraging the establishment of a local business forum within the micro region, in order to generate a greater degree of networking between local businesses and more understanding between the SME sector, local authorities, government agencies and financial institutions. This could be organised around the embryonic chamber of commerce, or might be organised on a sector basis. This could be launched through a high profile local conference, perhaps to disseminate the findings of the OECD study.
- Encouraging the more effective involvement of SMEs in active labour market programmes run by the local labour office, in order to ensure that potential expansion is not restricted by the limited availability of appropriate labour. The labour office could initiate this process by designating a member of staff to take primary responsibility for liaison with local SMEs.
- Finally, SMEs and related agencies in MTJ need to be pro-active and assertive in engaging with national authorities responsible for SME support to ensure that the needs of the micro region in relation to SME development are met effectively. The recommendations set out in this report could form the basis of a useful dialogue between local interests and the relevant ministries, the Czech Moravian Guarantee Bank and the Business Development Agency.

Agriculture and rural development

General conclusions about the situation in agriculture and rural development

During the last ten years, the agricultural sector in the MTJ micro-region has been confronted with problems specific to economic transition. Despite favourable natural conditions and a high technological level, agricultural production is not profitable and does not seem to be able to compete internationally. This results from adverse price developments, inadequate national market policies (grain and sugar markets) and strong and possibly unfair competition caused by subsidised exports from the EU and other countries. Additionally, various market inadequacies in product, labour, land and capital markets aggravate the difficult situation in agriculture and impede the development of a competitive sector.

Table 35. Priorities in strategic territorial development of the MTJ micro-region

Agriculture and rural development

	Agricultural marketing and processing	Qualification, information and extension	Economic diversification and agri-tourism	Integrated rural development projects
Short term	Check the possibilities for marketing associations of other products than milk	Provide better information about EU standards and regulations to processors	Improve agricultural extension to smaller producers, particularly regarding diversification	Enhance knowledge about LEADER-type approaches
	Build up long-term partnerships with processors in the region	Motivate agricultural producers to participate in marketing training	Train agricultural advisors in strategies of economic diversification	Establish regular discussion groups with different local actors, mobilise the community
	Check the possibilities for processors to co-operate with large retailers	Intensify the relationships to agricultural schools in order to secure qualified labour		Motivate entrepreneurs to participate in the planning process
Medium term	Establish service co-operatives including extension, input supply and other services	Train producers on marketing aspects (contracts, quality requirements)	Check the possibilities for speciality crops, organic farming and niche markets including their marketing channels	Design concepts for specific rural projects e.g. in food marketing or tourism
	Introduce own product labels for selected regionally processed food (e.g. cheese)	Intensify training on financial aspects and economic diversification	Plan different activities in the field of agri-tourism, integrate plans and activities into the comprehensive regional tourism strategy	Develop business plans and private-public partnerships
	Enter new markets of processed food (e.g. large retail chains)			Check financial sources for integrated rural projects
Long term	Build-up Internet platforms providing information and enabling virtual market places	Continue training and continuously adapt training to the changing conditions	Enter new markets for fresh products (e.g. Brno), e.g. set up a food processing centre	Implement integrated rural development projects e.g. in the field of food marketing or tourism
	Develop small-scale processing of regional specialities	Use ICT for qualification and exchange of information	Establish activities for tourists such as horseback-riding Create on-farm accommodation, farm cafes, on-farm marketing of specialities to tourists	

Source: OECD Secretariat, 2002

In product markets, weak bargaining power of agricultural producers, loose relationships to the processing industry and hold-up problems in contracting are widespread. The mismatch on the labour market leads to vacancies for positions, which require high skills in technology and farm management on one hand, and superfluous unskilled labour on the other hand. Difficult access to capital and the lack of a functioning land market impede farm restructuring and the adaptation to new market conditions.

In this situation, the agricultural sector of the MTJ micro-region faces the risk of further deterioration of economic performance. A persistence of the current conditions would lead to the de-capitalisation of agricultural land and non-land assets, to a stagnation in the process of farm and sector restructuring and to an accelerated growth in the demand of skilled agricultural labour. With respect to the Czech Republic's integration into the European Union, the agricultural sector at the local level would not be prepared to survive in the environment of the EU single market.

Furthermore, a weak agricultural sector generates an increasing apathy of the large part of rural population that is still closely connected to agriculture. This could negatively affect the utilisation of the endogenous potentials of the micro-region in general. Despite this difficult situation, findings indicate that there is potential for local action to address the problems of agriculture and rural development. A number of institutions could be established and activities carried out to improve the situation of agricultural producers and to further consolidate the sector, even under current market conditions (see Table 35).

Improving profitability in agricultural production and processing

A promising strategy to enhance the profitability in the agricultural sector is making use of better marketing strategies. In the current situation, agricultural producers must find new ways in marketing their products and co-operating with others. Generally, producer-marketing groups provide an opportunity for farmers to get access to higher value markets. Through professional and concentrated management within a producer-marketing organisation, better prices and improved services for their members can be obtained.

The Support and Guarantee Fund expresses political awareness of this need in the national support programme for agricultural producer groups for Farmers and Forestry (SGFFF). The scheme supports the establishment and operation of producer marketing organisations. Farmers in the

MTJ micro-region could use this support scheme in order to improve their marketing strategies.

However, a solid recovery of marketing mechanisms in the MTJ micro-region cannot be solved simply by governmental support. Awareness of marketing issues, removal of barriers in co-operation and self-organisation of agricultural producers and qualification are the key factors for success in marketing. Co-operation among agricultural producers by establishing service co-operatives or producer-marketing groups can address the problem of late payments, develop long-term relationships with processors and enter new marketing channels.

A good example for the improvement of the difficult market situation has been the formation of the association of milk producers in the MTJ micro-region. According to the statements of agricultural producers and managers of agricultural co-operatives in MTJ, producers have been able to noticeably improve marketing conditions by jointly negotiating prices and payment conditions.

It is recommended that producers, together with regional advisors and processing firms, assess the possibilities and the product range that could be pooled into a joint marketing strategy. A group of selected farmers and regional advisors should prepare the setting for a producer-marketing organisation and negotiate with potential partners in the food industry and retail sector. National and regional smaller companies are more likely partners in the short-term but large international firms could be included later.

A true producer-marketing organisation, like other businesses, requires proper planning and market analysis, a good buyer relationship, sound financing and well-trained, visionary and motivated management. The potential benefits of a producer-marketing group derive from increased financial rewards obtained from establishing stable relationships with buyers and to enter higher value markets. Furthermore, such organisations can better co-ordinate and phase purchasing and selling activities. They can offer advice, co-ordinate storage facilities, provide information and pool transport. There are a number of organisational principles that should be recognised in planning and establishment:¹

- formation of a clear business objective based on commercial activity;
- establishment of a trusting, ongoing and long-term relationship with buyers;

- ownership and control of the group's activities by members;
- full transparency of transactions by sales on behalf of the members and return of the full sales prices to members less agreed charges for services provided;
- signed and legally enforceable membership for a defined period in order to define obligations and commitment for both sides, the members and the group;
- concentration on selected products combined with quality control to avoid selling all members' produce regardless of quality or brand image;
- proper planning and effective communication providing members regular information on market requirements, prices, charges and payment conditions, in particular through ICT;
- sound financial planning by charges covering costs and membership capital of at least one-third of total capital requirements;
- approved legal entity since long-term development requires proper registration and business structuring.

Experiences from EU countries and in particular, the new Länder of Germany, show that successful and stable producer groups comprise mostly larger producers. This guarantees stable quality and provides sufficient quantities for buyers to co-operate usefully. In addition, costs of internal co-ordination and quality control are lower compared to a group with a large number of small producers. In this respect the farm structure in the MTJ micro-region provides favourable conditions.

In order to establish more efficient marketing schemes, all measures must be accompanied by qualification and training of producers, processors and advisors. The organisational principles mentioned above demonstrate the range of specialised knowledge necessary in order to successfully establish a producer-marketing organisation.

Long-term partnerships with the processing and input industry can also reduce capital constraints. Contracts with processors facilitate the adoption of technology and access to private bank credit. Reliable market channels reduce the amount of resources devoted to dealing with the institutional

environment. Focusing on an increase of productivity and of value-added in agriculture and food processing is also the best and virtually the only sustainable way to overcome the problem of low wages in agriculture.

Information, qualification and extension

In the MTJ micro-region, information, qualification and extension should be considered as cross-section priority for agricultural restructuring and rural development. Services that provide information, qualification and extension seem to be underdeveloped and private service providers are rare. This is particularly true for marketing issues, the quickly changing institutional framework and legal adjustments with respect to EU integration of the Czech Republic. The adverse effects of emerging but not yet fully matured markets should be mitigated by better information flows, qualification and extension programmes.

Up to now priority in this field is low compared to support schemes that target technical improvements and investments. Thus, only two per cent of SAPARD funds concern vocational training. There is little that can be done at the local level to alter such priorities. However, activities regarding in particular information flows can be organised by regional institutions and actors in the food chain.

It is recommended that actors in agriculture, food processing and agriculture-related fields identify needs of information and extension and discuss these with potential service providers (Agricultural Chamber or the local Office of the Ministry of Agriculture). Various channels of information could be used such as seminars, Internet, local newspapers and regular exchange of regional information through extension services or producer associations. The following activities could be the basis for pilot projects:

- providing appropriate information about EU quality and hygienic standards to agricultural producers and local processors in regular seminars or by establishing a discussion network;
- providing information about current and up-coming support schemes in order to enable eligible persons to make best use of the programmes;

- setting up an association that facilitates exchange of information e.g. about the production of niche market specialties such as herbs, strawberries, cranberries, mushrooms, bee keeping;
- pool information about vocational training courses available in the region and nation-wide;
- setting up at the local or regional level an Internet portal similar to *www.agris.cz*. A portal might pool different types information and serve as a virtual market place for exchanging or buying second-hand machinery, purchasing inputs and selling products or inputs;
- exchanging information about the local labour market in agricultural and food processing among agricultural producers, technical schools, service organisations (Agrarian Chamber, local labour office). Demand of skilled labour will increase in the next five years. Promotion of vacancies and opportunities of working in agriculture are successful when joint strategies are realised by agricultural associations, educational institutions and producers. Offering practical training and on-farm seminars can intensify links with schools and universities.

Economic diversification

Specialisation of rural areas in agriculture or other sectors dependent on natural resources has met with the decreasing profitability of traditional sector products. In many OECD countries, decline in employment in agriculture has led to encouraging diversification. This is currently not believed to be a promising strategy for MTJ. Farm structure and natural conditions allow large-scale professional farming and most producers have not yet considered other ways of generating income. In the short-run, this is understandable since a specific regional marketing strategy including on-farm marketing or regional speciality shops cannot easily be viable due to the low purchasing power of the local population.

However, in the long run, economic diversification and niche market development hold a potential in using the endogenous resources of the region. Diversification and niche markets are closely related to rural tourism strategies which they can strengthen by offering on-farm accommodation, horse back riding, food specialties, and handicrafts. *Hence, the development of multi-functionality with opportunities of economic diversification is*

recommended alongside measures in favour of a modern and competitive agricultural sector. In OECD countries, high growth sectors in the rural economy in recent decades have been manufacturing and services: this is likely to be true in the Czech Republic.

Economic diversification that could be realised in MTJ must be divided into two different types of activities: Those that target the local market and those that search for other domestic markets. In the medium-term, the latter could be an interesting strategy regarding speciality food production. This kind of production should include product labelling and regional awareness combined with establishing marketing strategies outside of the region. In order to encourage agricultural producers and other farm household members in diversifying, a co-ordinated and well-trained advisory service as well as training possibilities would be very helpful. Training programmes are almost a standard call, but here they are of extreme importance. The terrain of niche marketing is generally a new and inexperienced task in Central and Eastern European Countries. The entrepreneurial and marketing skills necessary often substantially differ from those used in traditional agriculture. In the case of food processing, technical skills, food hygiene and safety standards make also a small-scale business a very complex and highly advanced economic activity.

There is little doubt that MTJ can do better in terms of qualification of advisory services. This process must be promoted and financially supported by national agricultural and regional policy. However, the micro-region could stimulate the production of specialities through a *start-up enterprise centre for food production and processing*. A self-organisation could establish such a centre. Small processing enterprises located in the region and willing to co-operate as well as newly emerging food processors could build a formal association to run the centre. It should be technically equipped so that it allows to process and package different food products and that different small entrepreneurs can rent its equipment. By training and pooling information about speciality products, the centre could be a starting point for a local enterprise cluster. Obviously, the concept should be the object of an initial feasibility study and, if decided, receive financial support from national programmes e.g. in SME development to be set-up.

Organic farming might be another strategy in the medium term. Since the beginning of 2001, the new law on organic farming in the Czech Republic strengthens the position of these products on the market, because it has introduced legally binding rules to agriculture and the food industry regarding conversion periods, labelling and segregation of product flows. The law has induced a shift of organic farming towards a higher professionalism that is apparent in the marketing channels. While most products were sold in small

shops or directly from the farm gate until recently, now supermarkets are also developing such sales.

Bottom-up rural development projects

Another priority for enhancing the rural economy should be assigned to integrated rural development projects. The current policy framework does not significantly support such types of projects. Successful implementation of bottom-up approaches in the long term will require further changes in national policy framework. Nevertheless, preconditions for implementation and various measures can be carried out without substantial financial support. So far, knowledge and awareness of integrated rural development projects is limited. The basic principles of LEADER-type, bottom-up approaches including community empowerment and capacity building should be developed to design local strategies.

LEADER (*Liaisons Entre Actions de Développement de l'Économie Rurale*)², is the community initiative for rural development of the European Union. The initial emphasis was on developing 'new solutions' to problems of lagging rural areas. Support under the programme is not limited to members of the agricultural community although the programme focuses particularly on their problems and opportunities to diversify. The main participants are so-called Local Action Groups (LAGs) which can be local lead agencies or intermediaries responsible for the implementation of LEADER in the area. LAGs involve a partnership of public, private and other interests in the rural area while implementation is based on a jointly devised strategy and action plan (detailed information at www.rural-europe.aidl.be).

It is recommended that the MTJ micro-region be used as a pilot for a rural development initiative in which a diversified group of local actors designs an integrated development strategy. The process of finding a local or regional group and identifying strategies and activities is a lengthy process. It is, however, the precondition for administering and effectively utilising funds for regional and rural development. A bottom-up development process in a designated area must be at the stage of readiness for taking ownership in the process of local development.

The micro-region could prepare a bottom-up project as a *national pilot for the up-coming LEADER programme or future Czech support schemes*. This would allow to test how principles can be applied and to identify support in planning, steering and monitoring under the conditions of Czech rural areas. An important principle of such projects is that they involve mobilisation of local

partnerships for the definition and implementation of strategies. Thus the adoption of objectives and measures and designation of people involved should be taken as closely as possible to the local population. Local working groups that correspond to sources of information and know-how are decisive. These can mobilise and support activities of rural communities and bring local government closer to the population. Project managers must directly appeal to inhabitants and local entrepreneurs in order to obtain committed partners. Hence, acquiring necessary skills in co-operative planning and action is an important capacity building measure.

In this process trust building measures are essential. In many communities, local actors and institutions act isolated from each other and communication among them stagnates. Isolated actions can create envy and unwillingness to share information or other resources decisive to the development process. Constant effort in participation of all interested local groups is necessary, which should also include the acceptance of conflicts and diverging interests. Partnerships of various institutions are an inherent part of rural development projects. There are several institutions operating at local level with various competencies as well as formal and informal influences on the development process.

Facilitation and leadership are key factors of success in bottom-up projects. Local people usually cannot be left alone in the development process. Facilitators of the process should support and steer discussion and assist identification of concrete actions in the process. They mediate between local institutions, the private sector and other local groups and balance power asymmetries. Putting attention to different groups of the local population is as important as developing co-operation between entrepreneurs and the public sector. In addition, leaders, i.e. motivated local people who are accepted by the community and are able to push activities should be identified.

Community mobilisation needs a methodological approach. A strategy should be developed to facilitate partnership and participation at the local level. As is frequent in neighbouring Slovakia, the community could hold an introductory meeting in which local participants develop a short questionnaire about people's ideas of local development. A number of volunteers conduct interviews with all interested members in the community and present the processed results at a follow-up meeting. These can be discussed so that the most motivated people can be selected for leadership in the process and working groups established.

When local groups are willing to co-operate, they should design an overall programme of the development process on the basis of endogenous resources. What makes the region different from others? What are the most valuable resources, the strengths of the area? The vision is the first step to concrete action on the basis of SWOT analysis and strategies. Lastly, exchanges with other rural areas that have dealt with similar problems can be very helpful and motivating. The MTJ micro-region could thus form a group of different actors (from e.g. local businesses, agriculture, public administration, and the social sector) that search for partner regions and initiate active exchanges. Developments in small regions such as the 'Annaberger Land' in Saxony (Germany), object of a case study within this report, demonstrate what can be achieved in bottom-up initiatives.

Tourism and sustainable development

Major issues concerning the development of rural tourism in MTJ

Tourism in MTJ today shows an interesting potential but also important shortcomings. The potential is that of a picturesque region with vast forested areas and a worthwhile architectural heritage, concentrated mostly in the towns of Moravská Třebová and Jevíčko. This charming, quiet and relatively well preserved rural area will have to take new measures to better protect and enhance assets that are decisive in attracting visitors. This is all the more important since MTJ is located between some major tourism sites with which it cannot compete, however interesting its own heritage is. *"The fact that the MTJ micro-region has no easily identifiable tourist attractions of international and primary importance does not mean that development of the travel industry is bound to be unsuccessful"* (DHV, 1999). This analysis leads to put a strong emphasis on activities geared mostly to the domestic market to begin with. The main activity could be cycling tourism, benefiting from linkage to the national and European routes being established in the Czech Republic. However, some other areas (Central Moravia, Sumava amongst others) are already well positioned on this market. The narrow gauge railroad is an asset but it needs to fit into a tourism project.

To develop tourism in MTJ on the basis of this potential will require adequate responses to a certain number of issues, with questions concerning national policies, regional efforts and local initiative. The major question is *lack of hotel infrastructure* up to minimal standards. If tourism is still considered a risk sector by most of the banking industry, the chances for entrepreneurs in a micro-region like MTJ to access affordable credit appear even slimmer as compared with regions having more spectacular natural or

cultural tourism assets. The solution here seems to implement measures at the national level to help micro-regions with a potential, albeit more discreet. The same question arises for financing of infrastructure linked to activities, such as biking paths, that are by definition of interest to many areas. Corrective measures ensuring that certain regions like MTJ get a fair share of the available financing seem necessary.

Training is the second area of concern for the expansion of tourism in MTJ. The existing lack of sufficiently skilled employees concerns the hotel and catering industry but also more specific areas such as developing and marketing tourism products. Language skills are also to be considered even if the initial number of foreign tourists remains limited. The existing situation is obviously not compatible with plans to attract greater numbers of visitors. In this area there appears to be a certain number of local assets with tourism teaching in the Moravská Třebová High School and the existence of possibilities for practical training in the Svitavy District. On the other hand, promising and ambitious young people will only enter this sector if true signs of significant tourism development in the area exist.

Tourism promotion, although it can only be adequately accomplished within the framework of a strategy enhancing the specific assets of an area offering sufficient infrastructure, also implies a certain number of choices in terms of positioning and financial partnerships. The geographical (and cultural) situation of the micro-region between Czech and Moravian lands can be a problem but it also opens interesting perspectives to deepen co-operation within the District of Svitavy (Litomyšl) and with the Central Moravian tourism region to which MTJ has chosen to belong. A fruitful co-operation of this kind rests on the identification of true complementarities with other tourism areas, rather than just trying to benefit, in a secondary fashion, from the flow of visitors going there.

The MTJ micro-region thus faces several simultaneous and interlinked challenges if it is to develop the tourism sector as a significant part of the local economy. These concern both the public and private sector and have implications at different levels of government. On the other hand it is also a governance and entrepreneurship issue, as it supposes a strong partnership between local government and entrepreneurs as well as a vision shared by the younger generation on a potential and a strategy to translate it into job creation and economic growth. A SWOT approach, as basis for a detailed and specific objective audit of the current situation and future proposals is essential to create awareness and build confidence without putting forward unrealistic expectations. The methodology of the process is as important as the results, to mobilise all existing resources and goodwill at the local level, while presenting

to other levels of government, in view of co-financing, a coherent strategic plan with backing of all those concerned (see table in appendix: "Tourism strategy components").

Proposals for the development of tourism in the micro-region of MTJ

The development of tourism in the MTJ micro-region will require a co-operative approach between the local private and public sectors to help define, mobilise financing and implement a *Strategic Tourism Development Plan*. Such a plan bears on the medium to long term but some measures will have to be taken on the short term. This process of detailed identification, choice and appropriation rests on a few key areas and includes local initiative whenever possible, with clear links to existing national policies and programmes.

Table 36. MTJ Tourism proposals
Strategy and resources

Area	Subsets	Responsibility	Funding	Time frame
Strategic tourism development plan (STDP)	– Audit	MTJ association of municipalities	Association and Rural Renewal Program (RRP)	Short term
	– Appropriation		Salary 1 person	Short term
	– Monitoring			Medium/long term
Training	– Evaluation of needs (study)	MTJ association of municipalities Tourism professionals	RRP	Short term
	• Training scheme	Same as above	LLO	Short/medium term
	• Definition of tourism profile (STDP)	MTJ association of municipalities	RRP	Short term
Marketing	• Information centre reinforcement (hours, staffing, training)	"	MTJ association of municipalities	Short/medium term
	• IC networking, target groups	"		
	• Promotion on/off line = logo, graphics, data collection and up dating	MTJ association of municipalities Central Moravia Tourism Region + CTA	Mixed	Short term

Source: OECD Secretariat, 2002

Table 37. MTJ Tourism proposals

Infrastructure				
Area	Subsets	Responsibility	Funding	Time frame
Accommodation	Existing:		RRP	Short term
	– Identification (study)	MTJ association of municipalities	Private entrepreneurs	Medium term
	– Labelling	MTJ association and/or Czech Union of Entrepreneurs in Rural Tourism		
	Renovation:			
	– lease of public renovated property	Municipalities	Municipalities, banks	Medium/long term
	– Dissemination of information on SME progr.	MTJ association of municipalities	MIT - RRP	Short/medium term
	– specific measures for micro regions and tourism	MMR - CTA	MMR CTA SAPARD	Medium term
Cycling network	New construction:	MTJ association of municipalities	MTJ association of municipalities	Medium/long term
	– Bungalows	Banks - MMR	Banks - MMR	
	– vacation centre			
	– seminar facility			
	Improved, detailed sign posting	MTJ association of municipalities		Short term
Cycling network	"Bike and ride"	Czech Railways MTJ association of municipalities	National	Medium/long term
	Roadside amenities	MTJ association (sensitisation) private home owners MMR	private + RRP, SAPARD	Short/medium term
MMR = Ministry of Regional Development				
Source: OECD Secretariat, 2002.				

The major areas of the strategic plan are accommodation, leisure infrastructure, training, natural heritage, cultural heritage, events, marketing and promotion, implementation and follow-up. The first three areas, concerning infrastructure and training, are prerequisites to true tourism development. The sustainability of this development is to be ensured by adequate protection of the environment, both natural and architectural. Proper selection of events enhances attractiveness for tourists. Lastly, promotion and implementation apply to a comprehensive tourism concept for the micro-region.

Table 38. MTJ Tourism proposals

Heritage				
Area	Subjects	Responsibility	Funding	Time frame
Natural Heritage	WTFS	MTJ association of municipalities	State and municipalities	Medium to long term
	Dump eradication	individual municipalities	individual municipalities	Short to medium term
	Environmental awareness; creation of a Nature Centre (pilot)	MTJ association of municipalities	National (Ministry of environment, RRP, SAPARD)	Medium term
Architectural Heritage	Conservation/renovation	Town + Ministry of Culture	Town + Ministry of Culture	Medium/long term
	Moravský Třebov	Town + Ministry of Culture	Mostly national funds	Medium/long term
	Jevíčko: major effort	MTJ association of municipalities + Ministry of Culture	RRP, SAPARD	Short/medium term
Railroad	Other: identification / exhibition			
	Legal situation / Development plan study	MTJ association of municipalities and private owners	MTJ association of municipalities + RRP	Short term
	Implementation (development of museums, renovation of rolling stock)	Ministry of Culture + Czech Railways	Ministry of Culture + Czech railways, banks	Medium/long term

Source: OECD Secretariat, 2002.

Accommodation

Both in qualitative and quantitative terms, lodging infrastructure in the micro-region has been identified as inadequate for the development of tourism. To cope with this situation, three types of actions, two of which are on the short to medium term, appear necessary: a more thorough inventory of existing possibilities, renovation of some facilities, building of new infrastructure.

a) Existing capacities

If the micro-region is to develop as a rural tourism destination, existing lodging capacities, whatever their nature (bed and breakfasts, pensions, hotels, campsites, rentals) that offer pleasant and peaceful surroundings and a minimum level of comfort should be identified. Such lodging would receive an MTJ *rural tourism label*. Prior definition of objective eligibility criteria would be necessary, under the auspices of an independent counsel. A committee associating local government, the chamber of commerce and the information centre could review applications. All other establishments and capacities would of course continue to be listed on all promotional material (brochures, website) but without the specific label. This would be the case for hotels catering to businessmen or even to tourists transiting through MTJ but not staying for a vacation based on a certain kind of activity. Such an approach would also ensure that types of lodging indicated to travel agencies and tour operators with a line of rural tourism products would respond to customer's expectations, particularly for family vacations. Such a voluntary selection at the local level is of course not easy to implement, as all establishments reviewed would tend to try and obtain the rural tourism label.

Another possibility would be to receive approval of associations active in eco-tourism (see www.eceat.cz) such as the *European Centre for Eco-agri-tourism* (Brno) or the *Czech Union of Rural Entrepreneurs* (Choltice). The latter, with 52 members in 2000, is affiliated to the European *Eurogîtes* network. On the other hand, the stringent criteria applied by these organisations might only permit qualification of a very limited number of lodgings. In any case a voluntary initiative appears necessary in the absence of a national hotel classification scheme in the Czech Republic, since the abolition of the previous system in 1992. The creation of a nation-wide network of rural tourism hotels and lodgings and agri-tourism capacities could be usefully encouraged by national authorities, as an official classification system bringing together hotels and other facilities would be too difficult and costly to define, manage and implement. Successful models of this type have been developed in other European countries.

b) Renovation

Certain hotels in adequate tourism locations are in need of renovation to bring them up to minimum standards. Since Czech banks consider tourism high-risk, financing must come from other sources. At the local level, it would be useful to implement for existing buildings schemes such as those put into place for new ones, with municipal property being leased for commercial

purposes. The municipality of Moravská Třebová, with the creation of a youth hostel that will mostly accommodate young German exchange students, is currently undertaking this. Another solution would be to facilitate access to national programmes devised with the purpose of providing financial support to SMEs. Likewise easier access to measures in favour of tourism infrastructure within the National Tourism Development Plan should be offered. This brings forward the question of geographical allocation of funds and competition between micro-regions pursuing tourism development. A mechanism guaranteeing minimal access to funds for lesser-favoured micro-regions such as MTJ should be devised to replace after 2002 preferential treatment schemes based on districts and unemployment. New measures, specifically designed to compensate lack of banking loans should also be considered specifically for the tourism sector.

c) New infrastructure

Even if the above-mentioned issues find an adequate solution permitting renovation of existing lodging capacities, these appear seldom fully adapted to all the requirements of rural tourism, particularly for family vacations. In-town lodging is not usually well adapted for that purpose, if only for lack of space. Besides, for stays of a week or more, customers would expect to be close to a small town but in a well preserved and secure natural environment offering direct access to different activities. Simple *bungalow type lodging*, with supporting services (meals, activities for children) in bigger adjoining areas or buildings is the preferred solution, besides lodging on the farm or in a bed & breakfast. Of course such a project would require significant investment even if design were no frills and construction very basic.

Facilitated access to credit and tourism support programmes as mentioned above would not in itself be sufficient to permit such a plan to go ahead, so other approaches are also necessary. One possibility to be explored is the creation of a *vacation centre* for employees by a big company or a group of companies. Another is the inclusion of a *seminar facility* component in the project that can greatly help to compensate for a reduced number of customers during the low season. Firms often seek secluded quiet locations for meetings or conferences out of the summer months to obtain discount rates. The existence of such a premises in the micro-region would also interest the local business community and enhance the attractiveness of the area for investors. Such a dimension might also help in mobilising bank loans.

Leisure infrastructure

The major area of leisure infrastructure investment is that of cyclo-tourism for the upgrading of paths and implementation of specific signs on the basis of the *National Cycling Development Strategy*. The creation of roadside facilities such as restaurants, bars and small repair shops should also accompany this effort.

a) Local cycling network

The local network of small roads and paths represents approximately 200 kilometres divided into 11 main circuits, five of which are of regional importance. This network is being progressively put in conformity with the road surface and signage requirements set forward by the national plan to develop a cyclo-tourism network integrated into the *Eurovelo* system. This national project is jointly supported by the Ministry for Regional Development, the Ministry of Transport and Communications (Transport Research Centre located in Brno), the Czech Tourist Club and the Czech Tourist Authority. Compliance with national standards corresponds to the needs of cyclists other than those seeking adventure with mountain bikes on rough trails. The first recommendation concerning cycling tourism in MTJ would thus be to clearly distinguish these two categories of bicycling by distinct marking and maps for mountain bike paths with indication of points where routes might merge.

Also, if the Moravská Třebová-Jevíčko micro-region is to become a cycling tourism destination in its own right and not only an area of transit, all local tourism sites, whether natural or architectural, should be properly highlighted with easy access for cyclists. Practical link-up with the main *Eurovelo* routes (number 4, West to East and number 9 North to South) passing in adjacent areas, can be organised, with indication of distances to entry points in MTJ. This could be accomplished through national routes A (Jesník-Znojmo) and B (Hradec Králové-Břeclav), which cross the micro-region and are destined to become theme cycle routes at the national level. Both of these routes are already sign-posted. Co-operation with Czech Railways, to permit transportation of equipment for cyclists, could also be organised ("bike and ride"). This has been done successfully by their Swiss counterpart (www.cycling-in-switzerland.ch). MTJ should appear as one of the cycling areas where equipment could be delivered.

b) Roadside amenities

Eurovelo standards call for shops every 30 km. and accommodation every 50 km. In the case of MTJ, aiming to offer a full cyclo-tourism package, shops, restaurants and bars could be located in towns or on roadside so as to form a denser network of amenities and services. In towns, proper identification of existing establishments and particularly cycle shops on maps is sufficient. Out of towns and villages, small stopovers providing refreshments and possibly light meals could be organised as supplementary activities and source of revenue for farming families or other inhabitants. A step further, the "*Ferme-Auberge*" model developed in France guarantees certain types of local food prepared exclusively with fresh local produce. Financial support for launch of such activities is not necessary in most cases, except if buildings are to be adapted. This could be provided through Rural Renewal or SAPARD type funding.

Training in tourism

Lack of adequate training and skills is one of the main obstacles to a significant development of tourism in the micro-region. No specific shortcomings other than absence of language skills were mentioned but insufficient professionalism is usually put forward. No breakdown by professional category was supplied, which would have permitted to assess exact needs. Upgrading skills and identifying future recruitment needs requires a prior study to implement a comprehensive tourism-training scheme for MTJ.

a) Evaluation of needs

An analysis of the existing situation and identification of areas and scope of training requirements is part of the process of establishing a tourism audit (see below). Such a study should be launched without delay, preferably by an independent counsel working in close co-operation with the labour office in Svitavy and representatives of the local tourism industry. The study should produce a breakdown of the different categories of employees (hotel and restaurant waiters, general personnel, cooks; hotel management; travel agency and information centre personnel; related businesses such as bike shops, sports centres etc.). A more precise evaluation of the number of permanent employees and seasonal personnel is also necessary. Vocational training requirements in each category should first be identified at the existing stage of tourism development. Evaluation of future needs depends on different scenarios for

expansion of the sector to be retained by the Strategic Tourism Development Plan to be defined.

b) Training scheme

On the basis of identified needs, supplementary training could be organised in the Svitavy District where several public and private institutions exist in the field of tourism. Financing sources could be the National Tourism Development Plan and the Rural Renewal Programme. Concerning initial education and training in tourism as well as higher education, the Moravská Třebová High School and Pardubice University offer the corresponding specialisation. This proximity opens the possibility of closer co-operation with the tourism sector and local government on better correspondence of local job market needs and number of graduates per speciality. One of the existing problems of education in tourism in MTJ is that graduates do not find enough local opportunities and tend to leave the micro-region to seek tourism jobs in other parts of the country. Efforts to retain these skills so as to develop the local tourism industry are necessary. Support of business start-ups, for those having acquired management skills, in the general framework of proposed measures in favour of SMEs, should be considered a priority area.

Protection of natural heritage

MTJ disposes of the highest concentration of wooded land in the Svitavy District and more than 50% of the total land surface of natural parks is located there as well as close to three quarters of selected natural heritage. Bearing this in mind the overall situation of the environment in MTJ is considered to be generally good, but there are a certain number of areas where there is room for improvement, particularly with the stated goal of developing rural tourism. A high level of regard for a quality environment is a strong asset from that point of view, whereas shortcomings, even if limited in territorial spread, can be very damaging in terms of progressive build-up of reputation. Proper attention should be given to improvement of surface water in many localities and remaining garbage dumps should be fully eradicated. Creation of a better awareness for environmental concerns could also be encouraged in different ways.

a) Surface water quality

Non-existent or inadequate sewerage in many municipalities and insufficient number of water treatment plants (WTPs) create a higher level of large area contamination close to human settlements. MTJ appears less favoured than the rest of the district (31% of inhabitants connected to sewerage systems versus a 52.6% district average). Cost of building additional WTPs (only six today) is estimated at CZK 1 billion and plans stretch out to 2010 and even further (2030) to install proper equipment. Dealing rapidly with this problem is necessary to make the area more attractive for existing and new inhabitants as well as tourists. Financial implications and sources of financing, besides local taxes, need to be investigated.

b) Eradication of dumps

Five former or illegal garbage dumps have been eradicated and are in the process of being recultivated but disposal of solid waste seems to continue in some places in spite of these measures. Proper fencing could be a partial solution. Co-operation of inhabitants is absolutely necessary to prevent this. Sensitisation by sign posting in municipal buildings or through mailings can help as well as a more pro-active approach (see below). The Vranova Lhota site, presented as the most important environmental burden in MTJ, comprises galleries from an iron ore mine of the nineteenth century that were used in the seventies and eighties to stock hazardous waste. Specific treatment of this site is required.

c) Environmental awareness

A pro-active approach to increase local awareness of the environment as well as create a tourism asset would be to open a local centre of initiation and education on the environment or "*Nature Centre*". Such a centre would have several goals. It could provide a basis for teaching on the environment to schoolchildren as an extra-curriculum activity. It could also permit inhabitants and tourists to discover in a concrete fashion (exhibitions, brief courses or conferences, organised observation of fauna and flora) different aspects of the environment and measures taken for protection. Such a centre, if well planned and organised, could become in itself an attraction that would help in establishing the reputation of MTJ in activity based rural tourism. It would also be in line with recent trends indicating a growing expectation of tourists to learn something during their vacation and, if possible, see their children acquire new knowledge.

Such a project could be launched on a minimal basis. Either renovation of an existing farm or premises (preferably of an interesting architectural character) or construction of a small simple building as well as installation of equipment (display, computers) could be jointly funded by the MTJ Association of Municipalities and the Rural Renewal Program. Volunteer staffing (or public works program) could be used if a minimum level of competence on the environment can be found or acquired locally. Otherwise it would be necessary to bring in such expertise. Use of high school or university students during the summer season could also be considered. In any case it would be required to launch a small feasibility study, which would also cover the parameters for a more ambitious development in a second phase.

Architectural and cultural heritage

Continuing preservation and enhancement of the architectural heritage of the MTJ micro-region is necessary so as to restore its unique character for tourists and inhabitants alike. This can be achieved by emphasis on certain priority projects but should not neglect other more modest public or private buildings. Better delimitation and sign posting of historical areas as well as proper attention to the visual aspect of town outskirts can also make these more attractive. Also, development of the potential of the narrow gauge railroad and proper use of local events can contribute to the value of MTJ as a tourism destination.

a) Restoration efforts

Major restoration projects are underway in Moravská Třebová, declared an urban heritage reserve (Masaryk Square, castle). This necessary effort to restore the past splendour of the main town of the area with the help of national funds deserves to be matched by one that would benefit Jevíčko, with its town centre declared an urban heritage zone. The main square of Jevíčko has suffered from a lack of respect of its main historical features over close to fifty years, many lovely Baroque facades having been shadily repaired or replaced with dismal storefronts. In some cases restoration would probably not suffice and a minimum amount of rebuilding would be necessary. The fact that the town centre is classified as an urban heritage zone does not seem to have permitted up to now to go ahead with any significant restoration. More national or regional funds ought to be sought to go ahead with a project that is out of proportion with the possible matching resources of the municipality.

This important effort should not lead to neglect the preservation or restoration of other public buildings or churches situated elsewhere in the micro-region, even if less impressive or prestigious. This is of course a burden on local finances but in some selected cases specific additional funding might be justified. To facilitate such action, a *systematic inventory* of both public and private buildings of a noteworthy or typical aspect should be conducted. The initiative, which should be well publicised, could be closed with a *photo exhibition* and possibly a *contest* to help inhabitants know this heritage better and participate in efforts to maintain it. The creation of an *architectural reference book* for private homeowners concerning both renovation and building of new houses would complete these measures.

b) Enhancements

Another series of actions permitting notable enhancements at little cost concern both the surroundings of historical areas as well as town outskirts. The idea is that a historical town cannot concentrate all its attention on its most valuable parts for the purpose of tourism development but should also strive to make the whole town more attractive for inhabitants as well as visitors. This means that the approaches of the historical areas should afford a transition and also be pleasant and animated. Trees, flowering, shops, elimination of eyesores (even temporary, until definite measures can be taken) can contribute to this. Adequate sign posting can also be very helpful for tourists and facilitate itineraries if deemed more interesting or picturesque than others. This requires a *small study* to achieve this overall goal in different ways adapted to the environment of each town. Similar efforts should be made to insure that town outskirts are not spoiled by gaudy signs and billboards that also confuse the tourist in search of directly useful information (access, parking, lodging etc.). Proper initiatives to embellish the entrance to the town (planting trees or flowers) can complete these measures. Whenever applicable, information reinforcing town prestige should be posted in good view (historical character, twinning).

c) The narrow gauge railroad

The eleven kilometres long narrow gauge railroad linking Mladejov and Hrebec is an important tourism asset that, if properly exploited, can attract many tourists, especially on family vacations. It can provide the MTJ micro-region with a unique feature enhancing the overall tourism offering as well as providing good support for image creation and promotion. Bearing this in mind the following steps are suggested. First, the association of MTJ

municipalities should enter into discussions both with the owners of the Mladejov factory and the MPZ association behind the railroad museum (which rented use of the tracks). Discussions would aim to clarify the legal status of the property and the conditions under which its use and improvement could be properly secured for future developments, whether MPZ and/or the association of municipalities accomplish them. With such a guarantee, different scenarios could be studied, provided that regular operation, at least during spring and summer months, can be organised.

The scenarios are structured around the idea of enhancing both the small museum in Mladejov and making the railroad ride even more attractive (quality of rolling stock, landscape improvements). The first one would be based on the existing equipment and its presentation in Mladejov. The second (to be considered at a later stage) would transfer the whole Brno museum to the area. This would require MPZ agreement under favourable financial conditions (lease of an adequate building, help in renovation with adequate support from national and European funds). Investigation into the possibility of building a narrow gauge railroad station opposite the Czech Railways station and/or creating a mining museum are other interesting projects that have been mentioned. A feasibility study, presenting investment costs for the different scenarios and potential sources of financing, depending on the legal status of the operation, is an obvious preliminary. It should include an estimation of number of visitors with reference to the overall tourism potential of the area (lodging capacities but also one-day tourists) and possible revenue. Whatever the plan that is chosen it is likely to generate other activities (restaurant, souvenir shop).

Table 39. Renovation expenses narrow gauge railroad

Restoration of one steam engine	1 500 000
Restoration of all five steam engines	7 500 000
Restoration part of old track (5.5 km) -- per km ²	2 000 000
Building of 10 covered coaches (personal transport)	1 500 000
Finishing of railway station area and covered depot	8 000 000
Building of repair shop and base for restoration	10 000 000
Restoration of other vehicles	2 000 000
Current number of passengers per season	4 000
Maximum capacity per season	10 000
Aid received in 2000	Czk 20000 (city of Brno)
Aid received in 2001	Czk 10000 (city of Svitavy) None

Source: MPZ

d) Events and typical products

By their own merit events can bring in visitors that would have not come otherwise as well as contribute to make the stay a successful one for those visiting primarily for other purposes. They are an integral part of the image that a tourism destination seeks to forge to attract tourists. In the case of MTJ only a limited number of events are of a national or international scope and marketing focus should be put on these. Sporting events are located more in Jevíčko whereas cultural events are concentrated in Moravská Třebová. Their promotion should be pursued through different national (CTA) and regional channels (Eastern Bohemia, Central and Southern Moravia) without neglecting foreign tourists to be also reached directly through multilingual websites. This does not mean that events of mostly local character should be ignored as they often interest tourists too, but visitors seldom come for this motive. It should also be noted that MTJ as an agricultural production area has one food fair (held in Krenov in September). Development of this event, both for tourism and to help promote local produce, could be considered.

Local gastronomical specialities as well as typical handicraft can also contribute to tourism development and generate supplementary revenue for the tourism economy. Unfortunately such features are lacking in MTJ but this can be changed, either by recreating lost traditions or specialities or developing new ones based on certain identified skills or availability of local foodstuffs or materials. A specific study devoted to these areas could help to identify hidden potential. Measures in favour of SMEs or of job training could then facilitate the implementation phase.

Marketing and promotion

Marketing and promoting the MTJ micro-region as a tourism destination supposes a good definition of the tourism profile of the area, in terms of offering and targeted customer base. This will result from the definition of a Strategic Tourism Development Plan but main characteristics can already be indicated. On this basis marketing and promotional efforts will require the following action: website and printed promotional material, information centres, networking, specific efforts on certain markets.

a) Tourism profile

The rural tourism offering is expanding fast both in the Czech Republic and in other European countries. The main challenge in terms of local tourism marketing and promotion is thus to define an authentic tourism profile, capitalising on a certain number of assets, so that it develops a specific identity within its category. As a rural tourism destination, the MTJ micro-region will most certainly emphasise its quiet and well-preserved environment, with large forested areas, as a proper setting for a certain number of activities, particularly biking and hiking. The architectural heritage, mostly in the two main towns, as well as a certain number of selected events, complete the picture of a pleasant rural area offering interesting cultural features and attractions. These characteristics are well suited to target customers up to the medium income level seeking a vacation offering possibilities of doing some quiet sightseeing while practising sports. Family vacations, if lodging infrastructure is adequately developed, would correspond well to this.

b) Website and printed promotional material

Marketing and promoting tourism in the MTJ micro-region requires a unified approach, on the basis of proper co-operation between its entities. This must be translated on the Internet and on printed material, in terms of content and visual presentation. A unique multilingual (Czech, German, English) portal should be created to provide easy and rapid access to all up-dated information for potential visitors and tourists. It is preferable to have a site dedicated to tourism, otherwise the tourism section on the wider content portal should be clearly identified and easy to access and consult. The portal concept facilitates information search while sustaining promotional and advertising efforts. The Internet address of the site should be properly referenced on regional, national or thematic sites as well as on Internet directories and search engines. It should also be mentioned on all printed material. Developing and maintaining such a site requires adequate human resources. This could be achieved through a unified approach to the Web for other matters, justifying the recruitment of a full-time webmaster for the micro-region.

As far as printed material is concerned, this unified approach means that one or several brochures should present the micro-region in its own right, giving as much practical information as possible (lodging, price ranges, activities, hours of opening for museums, description of events). Such material is the basis for the presentation of the micro-region as a vacation destination versus tour operators and travel agencies and the general public. Additional specific material for local distribution (maps, very detailed information only

necessary once the visitor is there) can be edited but it should make reference to the micro-region as a whole and use a common set of graphic standards as well as a specific logo.

An agreed standard for presentation of information and graphic design is one of the main components of the marketing approach to sell MTJ as a unique tourism destination. This visual identity should appear both on the Web and on printed material, the common denominator being a logo or a slogan and preferential use of certain colours and graphics. This is the most visible aspect of this unified approach but it should be sustained in terms of content by adequate co-ordination for collection and selection of useful information. To achieve these goals two steps are necessary: a graphic design study and an agreement that could be prepared by the existing information centre and validated by the association of municipalities concerning data collection, selection and editing. It would identify the entities contributing to regular information updating in an easy to use format, particularly for transfer on-line.

c) Information Centre

In the Czech Republic, tourism information centres (ICs) have different statuses depending on local choices: either direct operation by the municipality associated with local representatives of the tourism industry, either delegation to a private firm to carry out this mission. This is the solution retained in Moravská Třebová, where the unique information centre of the micro-region (3 employees) is located. In Jevíčko, where there are plans to open up a tourism office also, brochures and promotional material is available in one of the hotels that plays the role of a small information centre. Conditions of operation of information centres depend of course on overall budget allocated by municipalities for this purpose. Nonetheless the following recommendations can be made.

Adequate opening hours are essential, particularly during the tourism season. Full day operation is preferable. If this is not possible information material should also be permanently available nearby in a public location such as the town hall. Training of staff, both in developing tourism products and in language skills is essential. The IC is effectively pivotal in the strategies to be deployed in co-operation with the private sector to develop the tourism economy by adequate linkage with travel agencies, tour operators and other information centres. For this reason, in overall evaluation of education and training needs in tourism and organisation of this effort, specific attention should be paid to adequate staffing/training of IC personnel.

d) Networking

Tourism marketing and promotion also relies heavily on adequate networking with different organisations and associations that are very useful intermediaries in reaching potential customers. A systematic and pro-active approach of these can prove very useful. Some of these associations are purely Czech, others are European, but with a Czech representation. Some work in rural tourism exclusively in other areas of the Czech Republic for the time being but contact should be sought to shorten the learning curve and possibly extend the area of activity of some of these associations to MTJ. As far as Eastern Bohemia and Central Moravia are concerned, the process has already started.

- Geographical networking
 - * Pardubice Region
 - * Svitavy District information centres (Litomysyl) and in Bouzov (Central Moravia): existing
 - * Central Moravia Tourism Agency (brochure integrating MTJ).
- Rural tourism associations
 - * Czech Union of Entrepreneurs in Rural Tourism (see above)
 - * Greenways based in Mikulov and Brno (Internet: www.gtc.cz)
 - * European Eco-agri Tourism Centre, (ECEAT) in Brno
- Cycling
 - * Czech Cycling Union
 - * Eurovelo (www.eurovelo.org), with representative in Olomouc
 - * European Greenways Association (www.aevv-egwa.org)
 - * Czech Railways
 - * Specialised Czech and foreign tour operators and travel agencies
- Horseback riding
 - * Czech Federation of Horseback Riding
 - * Pardubice Steeplechase (annual event)

- Railroads
 - * Narrow gauge railroad Jindřichuv Hradec-Nova Bystrice (Southern Bohemia)
 - * Narrow gauge railroads in other European countries (Germany, Annaberger land).
 - * Railroad museum in Brno (www.mpz.cz)
 - * Czech Railways

e) Specific markets

Besides targeting identified categories of potential tourists on the basis of certain types of vacations, it appears useful to develop marketing actions addressing other kinds of visitors. The first would be mainly to develop year round weekend tourism by attracting tourists from Central and Southern Moravia, and particularly the Brno area. Campaigns by way of press or through contact with travel agencies having a good network in that part of the country are some of the possible initiatives to be taken. Weekend packages at discount rates during certain periods of the year could be one of the products.

The second category of visitors are German and Austrian tourists, the first mostly interested in historical heritage and the latter in rural tourism, biking and hiking. This alone justifies paying proper attention to German language promotion and developing German language skills amongst tourism professionals. This action could be relayed through CTA as well as certain selected German or Austrian tour operators and travel agencies.

Implementation and follow-up

Developing tourism in a micro-destination requires a thorough study of potential and identification of existing shortcomings so as to prepare investment choices and elaborate a strategy targeting a certain customer base. In the case of the MTJ micro-region, the Strategic Plan of Development elaborated by DHV CR provides, in the part devoted to tourism, a good analysis of the existing situation, strengths and weaknesses as well as some interesting proposals, albeit formulated in very general terms. Using this basis as well as this report, it can be considered that the necessary audit of the tourism potential of MTJ now exists. What remains to be done is to closely associate local professionals in the elaboration of a Strategic Tourism Development Plan. In doing so, appropriation of the project by all those concerned is sought, which

makes it more than a simple consultation. The whole process and than the implementation phase should be driven by a dedicated person.

a) Methodology

A sound development plan, drawn up with adequate expertise but without properly associating local tourism professionals has little chances of being well implemented. Associating the local hoteliers, restaurant owners, small shopkeepers, tourist guides or people in charge of sports activities but also farmers is required, with the information centre playing a leading role. Chambers of commerce and of agriculture should not be left out. Bringing these categories together is not just a matter of securing approval for basic choices but also a way of helping to define alternatives and then deciding which way to go. The process of appropriation should lead each participant to recognise a contribution in the definition of the plan, which means a stake in its success transcending strictly individual business concerns.

Bearing such goals in mind it is recommended to first make an in-depth presentation of existing findings and possible areas of development as well as sources of financing for the different components. The objective would be to create a debate leading to approval of a certain number of major strategic options in the area of infrastructure, type of tourism offering, environmental implications and training. These would constitute the basis of the Strategic Tourism Development Plan to be completed by resulting promotional and marketing choices. To achieve this, the steps towards adopting the development plan should bring together the above-mentioned categories through a committee, regular meetings and participation in working parties hosted by the information centre or the association of municipalities.

Once the plan has become operational, regular meetings to monitor implementation should be maintained. In particular, information on advancement of projects, their cost and secured sources of investment or financial aid should be regularly given. Communication of information on marketing and promotional actions as well as statistical and qualitative data (number of visitors, categories and expectations) is also part of the process. A yearly formal meeting to review progress as compared to planning but also to identify shortcomings or difficulties (with possible corrective measures) could be useful. Such efforts could provide a valuable framework for co-operation between professionals as well as facilitate the emergence of new ideas that could bring added value to the tourism offering.

b) Human resources

To manage this, both in terms of preparing proposed strategic choices and monitoring their application while associating tourism professionals, it is necessary to have a dedicated full time person. This person would also be responsible for co-ordination with the regional level and the national level (Ministry of Regional Development, Czech Tourist Authority). This *project manager* would be designated by the association of municipalities and have no responsibility in the information centre, since the area to be covered goes much further than promotion. If possible a certain expertise in the area of tourism would be very useful. If not, a joint team comprising a tourism professional on a volunteer basis and a local civil servant versed in matters of economic development could be an alternative. In this case the required tourism professional, if necessary, can have a short mandate (6 months), insofar as continuity is assured.

Summary

Key recommendations have been made in the three following fields: labour markets and entrepreneurship; agriculture and rural development; tourism and the environment. Many of these rest on better dissemination of information on financial aids and procedures towards potential beneficiaries as well as better leverage within the framework of existing national policies.

Concerning the *labour market*, a first set of recommendations aims to improve knowledge of local conditions and trends, mostly by more in depth analysis of already existing information. Better information on employer skill requirements, because of the high level of unfilled vacancies, in particular through regular surveys is necessary. Collecting more detail on characteristics of unemployed people is also suggested as well as gathering information on off-flows from the unemployment register. The second set of recommendations relates to ALMP policies, to improve the impact of expenditures in this field. A review and evaluation of current activities would initiate the process, focusing on training grants and public work schemes. Search of improved counselling methods for the unemployed, with a possible specific program similar to the UK Restart scheme, should receive high priority. Dissemination of information on the labour market to young school-age people, particularly through the Internet, completes this. These actions would require support of the Ministry of Labour and Social Affairs for a pilot project.

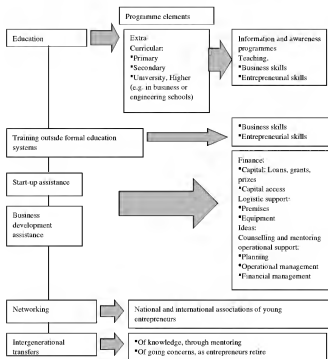
In the field of *entrepreneurship*, the major recommendation concerns the setting up of a small scale but highly visible information centre for SMEs covering the micro-region and co-financed by the association of municipalities. A small scale "Youth Enterprise Program" would also be highly desirable. Different measures to encourage the use of ICT by SMEs are also necessary, with support provided through the Action Plan for the State Information Policy. Creation of a micro-regional business forum, to encourage more developed networking between entrepreneurs and closer links with local government, is an important step to further strengthen the sector. Study of a local micro loan and/or mutual guarantee scheme (targeting selected micro-regions) would constitute an initial response to the problem of high cost of access to credit which impairs SME initiatives and is an obstacle to development of sectors like tourism.

In the area of *agriculture and rural development* proposals relate to agricultural marketing and processing, qualification, information and extension, economic diversification and integrated rural development. In the first field, creation of new marketing associations as well as partnerships with processors and better linkages with retailers are suggested on the short term. Establishment of service co-operatives and product labelling should be sought on the medium term and build up of Internet platforms as well as processing of certain regional productions on the longer term. Better qualification and extension translate into better information on EU standards, as well as participation in marketing training on the short and medium term. Economic diversification should be pursued by training agricultural advisors in such strategies. On the medium to long term, organic farming, speciality crops and agri-tourism are the suggested areas of diversification. Integrated rural development projects, emphasising diversification, could finally be pursued with SAPARD funding, provided prior sensitisation is organised.

Tourism proposals are organised around the elaboration of a Strategic Tourism Development Plan, comprising in particular adequate training and marketing measures. An important effort must be developed in the field of accommodation, with better identification of all existing capacities, renovation of certain facilities and new construction. The latter imply effective national support to secure preferential access to credit in certain micro-regions like MTJ with an adequate tourism potential. Pursuit of present efforts in the field of cycling path infrastructure and renovation of architectural heritage are necessary. The last environmental problems (dumps, water treatment and sewerage) need to be eliminated. Lastly a scheme to develop the unique narrow gauge railroad as a major tourism attraction needs to be elaborated through a public/private partnership.

APPENDIX TO CHAPTER 5

Components of support programme for young entrepreneurs



Source: Adapted from, "Putting the Young in Business" (OECD, 2001i)

Table 40. Tourism Strategy Components

	Initiative/main responsibility	Implementation	Duration (indicative)
1. Audit of potential	Local government/ region	Independent specialised council with public/private actors/operators	Method/ Questionnaire = 3m Info gathering = 3m Analysing info = 3m
2. Comparisons with other destinations	Region (other areas within) National tourist board (other regions, foreign countries)	Independent council or entity having launched audit	3 months
3. Customer segmentation	Result of audit (validation by representative public/private committee)	Linkage with private sector (advice/strategy)	
4. Investment priorities	Local government with committee approval	Region with local government to support and help financing public/private requirements of development plan	Master plan 3 years (yearly programs and adjustment): public infrastructure/private investment
5. Training	Local government (help in identifying programs and securing financing)	Professionals	From a few months to a year, depending on qualifications. Evening courses?
6. Marketing	Local government (gathering of data in particular)	Regional, National tourist board	3 months
7. Commercialisation	Local government (with committee/private sector approval)	Local government with region and committee approval	3 months
Strategic plan definition	Local government with committee support	All	Result of 1+2+3: 3 months

Note: Overall process <12 months if steps 2, 5, 6, 7 are launched during audit. Prior gathering of information can reduce delay further. Steps 2, 5, 6, 7 can be conducted in parallel.

Source: OECD

NOTES

1. The organisational principles mainly base on the paper of John Millns (1999): Producer marketing groups in Transitional Economies: Comparing Poland, Moldova and Uzbekistan. Paper presented at the COPAC (Committee for the Promotion and Advancement of Co-operatives) Open Forum on "Successful Co-operative Development Models in East & Central Europe" in Berlin, October 26-27.
2. "Links between Actions for the Development of the Rural Economy"

CHAPTER 6

GOVERNANCE AND SUSTAINABLE DEVELOPMENT PROPOSALS AND SCENARIOS

Introduction

At the outset of the territorial review process of the Moravská Třebová-Jevíčko micro-region, a strong emphasis on matters of governance appears necessary. Administrative reform in the Czech Republic, particularly within the context of EU accession, is an on-going process with implementation in many areas concerning the functioning of the new regions yet to be defined. The growing number of micro-regions, natural partners for the regions in matters of development, without being administrative entities, brings forward a certain number of questions and challenges. This appears clearly from a thorough analysis of the emerging co-operation of municipalities in MTJ. Although the more than 200 micro-regions in the Czech Republic were formed on the basis of specific local considerations and that many of their problems may differ, they basically face the same issues:

- One of these main challenges is to encourage this bottom-up approach and to facilitate its organisation, respecting local initiative but without stifling the emergence of creativity in terms of governance, partnerships and development.
- Governance is by definition far-reaching and proposals in this field can be formulated *per se* but they often reflect issues that arise from the review of different economic and social sectors. The horizontal outlook of the governance perspective creates a coherent framework for the application of the main conclusions and recommendations made in distinct vertical areas.

- This particularly appears to be the case in matters of communication, with the necessity to better disseminate information on existing national aids and procedures to potential beneficiaries such as SMEs as well as to explain local policies, with the aim of gathering the effective support and participation of civil society.
- Objective mechanisms and criteria appear necessary to permit a harmonious dialogue of the different micro-regions within the NUTS III regions with regional bodies and organisations. This appears as a pre-requisite to the efficiency and territorial equity of regional development policies.

These different considerations will be presented and analysed first at the level of the emerging dialogue between regions and micro-regions and then within micro-regions in terms of strategy and resources. If the findings and recommendations are based on the experience of one micro-region, effective or potential points in common with others have guided these with the purpose of being a direct reference for all. Such an approach also rests on recent developments in other European countries where local development projects, often distinct from traditional administrative boundaries and procedures, are emerging.

Decisions taken on the basis of these recommendations can lead to different scenarios that are strongly influenced by the level of co-operation between municipalities in the micro-region, the effective participation and motivation of the population as well as proper co-ordination with and support from the regional level. The difference between the low-gear, medium range and optimum scenarios is linked to initial choices but also to the conditions followed to define and implement strategy and then monitor the process to ensure sustainability. Preparing forward-looking strategies requires initial clarification by asking and trying to answer a few basic questions that are presented herewith.

Organisation of a debate on the proposals of this report is suggested, which requires co-ordination between the three territorial levels concerned. Dissemination of certain findings and consultation on possible measures to consolidate the micro-regional level are also strongly recommended. Practical and follow-up suggestions are made with this purpose at the end of this report.

Regions and micro-regions: new partners

The disappearance of the district level and implications

a) A different territorial view

The main feature of Act 347/1997, in effect since January 1st 2000 is the creation of 14 new regions at the NUTS II level and the consecutive disappearance of the districts, scheduled for the 1st of January 2003. This major reform has already been translated into the transfer of certain powers from the national state administration (mainly regional development, social care, education, culture, environment, transport and communications). This transfer will be completed at the end of 2002 with remaining (in particular appeals) going to regions and a selected number of municipalities having received third level powers. On the other hand, the definite method of financing the new regions (tax sharing) has not yet been decided, with necessary funding still coming from the state budget at this stage. The implications of such an important transformation for municipalities and micro-regions cannot all be necessarily yet foreseen but a few assumptions can be made.

Whereas municipalities and their groupings were used to a dialogue with a close level of state administration, they will be shortly within a wider area framework entailing a different operational mode. The proximity of the district (in the case of MTJ, five micro-regions within the Svitavy District) will disappear, to be replaced by the bigger region (including more than twenty micro-regions)¹. This simple fact means that it will be necessary for the new regions, with the help of national authorities, to closely identify the profile of each of its micro-regions so as to be able to foster an overall balanced development based on specialisation, complementarities and co-operation. This process of detailed and objective identification, based on recognised but also hidden strengths and weaknesses, will be all the more relevant that it will serve as basis for the territorial targeting of aids.

b) The territorial targeting of aids

The targeting of aids could apply either to entire micro-regions or to parts thereof. Definition of the proper level(s) of territorial targeting is a critical issue as has been verified in the case of MTJ within the context of the district. Thus, although MTJ has a higher joblessness rate than the rest of the District of Svitavy, job creation incentives apply to all of the territory of the latter, without positive discrimination in favour of higher problem areas. Thus, even if the

micro-region receives the highest level of nationally available job creation incentives, the fact that other lesser distressed areas in the district receive similar treatment prevents flexibility (the incentive applies to the district as a whole). Addressing this issue objectively, in the context of regional reform, so as to properly channel national and structural funds to the areas in most need, will require identifying detailed criteria for micro-regional triggering and implementation of these aids.

Some of the questions that arise in that perspective are the following:

- Should micro-regions be considered as the smallest territorial level for the application of preferential aid and financing schemes?
- Should maps relating to eligibility for these aids include only parts of certain micro-regions and if so on the basis of which criteria?
- How is monitoring to be implemented, particularly in the last case?

c) Competition between micro-regions

Micro-regions, in this new context, will be obviously competing with one another to obtain European, national and regional aids and financing. This situation is not a problem in itself, it can even help in creating and strengthening true economic complementarities between the different parts of a given region. On the other hand, the pre-requisite is a good knowledge, at the level of the regional bodies, of the potential and the weaknesses of each micro-region, based on thorough analysis and objective comparisons.

A good example of this approach concerns tourism, which tends to be considered as a sector of potential development by many municipalities and small territories, although tourism assets are often quite different or more or less exploitable. Several micro-regions within a region may have such assets but these will not be leveraged towards the same type of tourism customers or activities. For this reason, regional authorities will have to acquire a sufficiently in-depth knowledge of the tourism potential of each and the corresponding markets. This will be the basis for providing adequate backing to the strategies that appear to have the best chances of success, rather than giving support to those that appear unrealistic or duplicating those already applying to narrowly segmented markets.

The nascent dialogue between regions and micro-regions

a) Micro-regions as partners for regions

Within this evolving and not yet stabilised context several questions concerning the capacity of micro-regions to fully benefit from new procedures and mechanisms arise. The first of these questions is a very simple one: can micro-regions be true partners in the dialogue with regions? Underlying considerations in such a question concern the lack of direct democratic legitimacy of these groupings decided by local municipal governments but without any elected bodies since they do not correspond to an administrative echelon. Counter-balancing this inherent weakness means emphasising the usefulness of a participatory process in the definition and implementation of local economic and social development strategies. Closer and more formal association of civil society in the dynamics of policies and projects appear highly desirable so as to assure effective involvement of the population, considered as a key to success in sustainable development strategies (see below).

At the level of policy design, the width and depth of common policies managed by micro-regions is also a key issue. If co-operation between municipalities in micro-regions remains limited to areas of basic infrastructure or are simply designed to compensate the lack of resources of the smallest municipalities, a long-term strategic dialogue with regions will appear difficult. Also, in terms of policy implementation and monitoring, the matter of resources available to the association of a micro-region appears essential. A continuing working partnership with the region implies that the micro-region, as an organisation, be adequately staffed and dispose of sufficient operational resources. Developing more areas of co-operation as well as providing these associations with the necessary staff and financial resources can only be achieved if individual municipalities are prepared to relinquish some of their existing prerogatives and dedicate a higher level of their resources to micro-regional policies and projects.

b) The objectives of micro-regions

Another perspective would be to look at the motivations behind the creation of micro-regions. Have some or most of these voluntary groupings been created above all to mobilise and channel funds from various public sources so as to help in implementing different projects without an overall strategic view? Have others been initiated with a certain strategic vision and a

statement of goals that would create adequate conditions for defining and carrying a sustainable development project? Are the associations in the first category capable of evolving towards a more open and participatory model, mobilising local energies and reinforcing local identity? In other words, even if the associations result from local initiative are they truly bottom-up and grass roots in their inspiration and design? It would not be surprising that the process would often appear to be more formal than participatory because of a legacy that left no room for local democratic practice. In this case, a foundation of this type can perfectly well evolve under certain conditions towards new forms of governance, many of which are also incipient in other OECD countries.

c) Strengthening of micro-regions

The sum of these questions amounts to the specific weight of micro-regions in their dialogue with their respective regions. If a limited policy and resource approach should prevail for most micro-regions, the minority adopting different views would dispose of a stronger bargaining power whilst it would not necessarily correspond to the groups of micro-regions in greater need of support or capable of more efficiently implementing certain development projects. Such an evolution could put regional policy in peril by creating unnecessary obstacles in the path of the balanced territorial development of each region based on added value of assets and correction of weaknesses of each of its components. It thus appears necessary to encourage the reinforcement of the micro-regional level so as to facilitate dialogue with regions. If the latter have stable, predictable partners fully capable of initialising a sustainable development process based on true local assets, this will bring supplementary value to regional policies. In such a context, identification of regional priorities and territorial specialisations could emerge in a more balanced fashion. Proposals for the strengthening of micro-regions are detailed further on.

The role of Regional Development Agencies (RDAs)

a) A diversity of situations

There is no single model for Regional Development Agencies and their status can be either public or private (see Chapter 4). Many have been created recently in the context of regional reform so as to give regions a tool for economic development and some were set up at the initiative of different municipalities before the beginning of this process. Membership in and funding of these agencies is also quite variable, with some receiving strong support from

certain municipalities. In a given region, membership is at the discretion of cities and towns, which means that the agency, although regional, does not necessarily cover all of the territory, at least in terms of active membership. This ambiguity, that may be an obstacle to a fully regional view of things, should progressively be lifted, as regional councils get directly involved in economic development matters. In the meanwhile this diversity of situations cannot be ignored, which means that micro-regions, depending on their localisation, do not necessarily have access to the same kind of support and advice.

Within this context, the positioning of MTJ is quite revealing as it reflects both the strong ties with Moravia and the potential differences in levels of RDA services that a micro-region is able to benefit from. MTJ, although a part of the Pardubice region, is not a member of the Regional Development Agency set up in the regional capital in 1999. The agency is funded for the time being by 12 towns, including those that constitute the nucleus of micro-regions adjacent to MTJ. The reason of this situation resides in membership of the towns of Moravská Třebová and Jevíčko in the Regional Development Agency of Central Moravia, set up in Olomouc in 1995. This choice anticipates in a way the possible switch of MTJ from the Pardubice to the Olomouc Region (see Chapter 4). In the meantime, MTJ already benefits from the experience and resources of an agency set up long before the beginning of the regional reform process. Supported by 160 municipalities (out of 400 in the region) representing 75 per cent of inhabitants, the Olomouc RDA is staffed by 14 permanent employees. In comparison, the Pardubice RDA comprises for the time being only 5 employees, to deliver advisory and consultancy services to towns and micro-regions in a comparable area.

There is co-operation between the two RDAs and MTJ benefits occasionally from the services of the Pardubice agency in spite of the fact that it is not a member, simply because it still belongs to the same region. These considerations do not in any way constitute a comparison between two agencies that were created several years apart, with both delivering quality services to their constituents. On the other hand, until regions fully take into their hands regional development matters, some areas will benefit from more expert advice than others, which is in particular crucial for access to pre-structural funds. The only reason for such differences reside in the variable level of staffing of these agencies linked to available budgets. If important differences of this type were to remain too long, in spite of the progressive transfer of powers to regions, some areas may not be able to access as easily as others certain national and European funds nor receive the proper level of support. It should be noted from this point of view that small towns and micro-regions seldom possess the necessary know-how in these matters and that private consultancy services are

rarely localised there. EU accession and regional reform thus offer the opportunity to clarify the situation and provide regions with development tools able to effectively promote sustainable development projects in all parts of their territory.

b) Proposals for the reinforcement of Regional Development Agencies

Funding and staffing of Regional Development Agencies will necessarily become a prime area of concern for regional councils. Each region will remain responsible for deciding the conditions and level of support that these agencies will receive and no single parameter, structure or operational mode can be decided for all. On the other hand, a certain number of existing discrepancies can be underlined and they should receive a proper solution so as to facilitate the implementation of a balanced process of territorial development. The first remark concerns present membership in these agencies, with some municipalities contributing and others not. Even if regions become main contributors to the funding of RDAs, the fact that some towns remain aside, for lack of budgetary resources, is not satisfactory. This concerns mostly smaller towns which could greatly benefit from a more direct access to the type of services provide by these agencies. At the same time their development projects are more and more situated within the wider context of the micro-region.

To ensure full membership in an efficient and equitable fashion, representation by micro-regions as such is suggested. Bigger towns could remain active contributors on a voluntary basis but below a level of municipal population to be decided, small towns would belong to an RDA through the local micro-region association. Membership fees would be ensured on a per capita basis that would be acceptable for smaller town budgets. At this stage, many small towns already benefit from the services of RDAs through the membership and support of the main towns of their micro-regions. The suggested change would thus be more qualitative in terms of governance: instead of relying on a bigger municipality to obtain certain services, the smaller towns would be more directly associated in the development process. Their views, expressed in micro-regional bodies, could also be better taken into account by the RDAs that should not remain mostly a club of bigger towns.

In parallel to the introduction of micro-regions *per se* in Regional Development Agencies, proper attention should be devoted to the training of their staff. CzechInvest, within the set-up of Regional Information Centres (see chapter five), is thus providing RDAs with training in marketing and communication skills. Efforts of this type could be developed in other areas,

depending on local requirements, insofar as a sufficient level of staffing permits employees to attend training courses. Also, one of the possibilities open to increase number of employees in a given RDA would be to facilitate transfers from district level public sector jobs by providing adequate career perspectives within RDAs with a public status.

The functioning of micro-regions

The present situation in MTJ

a) Limited expansion

The MTJ association of municipalities, created in 1998, is playing an increasing role in local development matters. Its symbolic budget for 1999 increased somewhat in 2000 and attained Czk 2 million for the year 2001, on the basis of per capita contributions of Czk 22, completed by state subsidies covering more than half of expenses. This overall budget allowed consultancy contracting as well as legal services besides local funding of various projects co-financed by the Rural Renewal Program (cycling paths, tourism promotion and Internet sites in particular). Even if activities are expanding, the budget of the association remains very modest as compared with those of municipalities (less than 0,5% of the total expenses of the town of Moravská Třebová). This means that true financial power remains in the hands of individual municipalities and that major investment decisions in most areas are not taken within the framework of the association. The symbolic value of the first projects may be important as a starting point but their long-term economic impact will necessarily be limited if not comforted by other more ambitious measures in the field of infrastructure for instance. This would require a much higher level of financing from each municipality accompanied by a voluntary relinquishment of decision making in certain areas. This would of course be quite different from the cautious step by step approach that prevails today.

In any case present absence of permanent staffing prevents further expansion. Resources for project definition, mobilisation of funds, implementation and monitoring are lacking. Such tasks are carried out today by supervision of the investment advisor of the Moravská Třebová municipality, assisted by a consultancy firm when necessary. Although such an arrangement shows the willingness of the main municipality of the area to support the efforts of the micro-region, this confusion of roles will not facilitate, on the longer run, the process of project appropriation by all members. Such a situation, in particular, cannot permit a regular ongoing dialogue with regional authorities on development matters and projects. Moreover it cannot facilitate establishment

of priorities and definition of strategies which are at risk of being devised more in an exogenous fashion, albeit on the basis of expert advice, than on true local experience. As the dialogue with the regional level develops, the limits of the present situation will be felt more and more. Adopting rapidly a proper solution to this problem by securing sufficient permanent funding must receive high priority on the agenda of the association.

b) Limited participation

The statement of objectives of the MTJ association of municipalities refers to the defence of the economic, social and cultural interests of the inhabitants but these are represented within the bodies of the micro-region exclusively through their respective communes. The Act on Municipalities (128/2000) does not authorise any other type of membership within such associations than that of communes. On the other hand, this act specifies that citizens are entitled to attend meetings, to inspect minutes and to submit written proposals. In the case of MTJ these provisions seem to have remained rather theoretical up to now. Until the modification of statutes of the association that took place in October 2001 to comply with the new law, the possibility of being an associate member, intended to facilitate participation of the business community, was never used. This lack of involvement of the local population in the association is not surprising: public attendance in municipal council meetings is also particularly low and reflects the heritage of the centralised decision making process.

This cannot be the sole explanation though. A deliberate low profile was probably adopted at the start-up of the association until it could really prove its usefulness for inhabitants. This initial stage has now passed and lack of a proper communication tool hinders more active participation of inhabitants. On the other hand disseminating such information supposes, as a previous step, the adoption of a precise local development strategy, which is not yet fully the case, even if the necessary basis for this now exists. Participation of inhabitants in the local development process cannot either be limited to attendance in meetings or proposals formulated once the major priorities have been defined and publicised on or off-line. Active involvement, basis of an appropriation that is a long term key success factor, rests on *ex ante* consultative mechanisms and partnerships (see appendix on categories) designed to facilitate the dialogue with civil society. Other OECD member countries, particularly in Europe, are encouraging implementation of measures of this type.

Sustainable development projects based on better governance

No single region resembles another, even within the same country. Nonetheless, these small rural areas generally face similar issues and challenges: depopulation, decline of agriculture and traditional industries, inadequate infrastructure on one side, and a search for new activities and ways of mobilising local energies, both public and private, on the other. For this reason, knowing the experience of other communities can be a way of understanding better a given local situation and of identifying best practices which could be adapted and applied. This learning process is reciprocal: the regions selected as comparative case studies within this review could benefit from the MTJ study.

The two areas of south-eastern Germany and western France that are presented forthwith feature important points in common; their differences do not detract from the overall value of the comparisons. The criteria of selection included finding small regions undergoing change but not yet having fully achieved their potential, so as to identify the obstacles as well as the factors directly contributing to the process. A minimum of historical perspective was necessary to identify trends. This was feasible in France for northern Mayenne. For Annaberger Land, which belonged to the former DDR, this was by definition not possible, but this area offered the opportunity of looking at the process of transition. All three areas are characterised by a sharp decline in agriculture with the activity still remaining an important component in the local economy, thus requiring innovative policies geared towards multi-functionality but also requalification. Emphasis on the SME sector in different contexts shows their importance for job creation. The question of accessibility, in terms of road and transportation infrastructure, appears paramount in the three micro-regions.

The role of the small town centres in terms of public and private services and of cultural amenities is similar. Their attractiveness, so as to improve the living environment and increase the tourism potential, is also important and specific efforts have been made to that end in all three cases. What the three small rural regions share is an emerging vision for the future that rests on the participation of civil society and on public/private partnerships. In the case of Annaberger Land, the grass roots approach increased the impact of national and regional measures while facilitating the mobilisation of European funding (Leader) based on such principles. In the case of northern Mayenne, the remarkable results of the centre of the area (Town of Mayenne and surroundings) achieved in great part thanks to local initiative, are now being evaluated within the common development goals of a wider area (*Pays de Haute*

Mayenne). These evolutions are encouraged by national and regional authorities on the basis of new policies aiming to strengthen micro-regions, considered as an adequate framework to enhance local development. These two case studies aim in particular to illustrate the functioning of these new governance processes.

a) A German example

In Germany, the Annaberger Land² (nearly 22 000 inhabitants, 156 sq. kms) located in Southern Saxony and close to the Czech border, typifies this approach. The first major impulse of integrated local development came from the "Agricultural Structure Development Plan" (*Agrarstrukturelle Entwicklungsplanung, AEP*). In contrast to many other German regions that used this support scheme, the AEP in the Annaberger Land was realised in an exceptionally participative way. Not only could the local population voice its opinion on planning measures but it was also actively involved in the planning process itself. A private planning office, appointed to conduct the territorial plan, had essentially the function of facilitating the discussion process and making concrete proposals based on people's suggestions. The inhabitants were asked to identify conflicts in development and use of local resources and to develop solutions and strategies.

In combination with financing provided from EU Objective 1 structural funds and communities' contribution (10%), an in-depth situation analysis was conducted as a first step in 1993. The importance of active participation of the local population was communicated to local authorities in a kick-off workshop in which all mayors and their deputies participated. Local government officials, the planning office and the local 'Office for Rural Reorganisation' decided to establish 11 working groups addressing specific topics. This resulted in particular in the designing of questionnaires covering three areas to record the local population's opinion: recreation and environment, village life and social infrastructure, industry and trade. Based on the information from the survey, a first common vision of local development emerged. Motivators, i.e. motivated citizens, took over the responsibility of different topics in the working groups and stimulated discussion on the following topics:

- Technical infrastructure
- Agriculture/landscape protection
- Agricultural marketing/trade
- Tourism/tourism offers

- SME development/commuting/transportation
- Museums/traditions/regional identity
- Public relations

Over a period of one year, the working groups met almost once a week to discuss certain topics, solve potential conflicts and devise feasible solutions to different problems. Technical support came from the local and regional administration, various experts and the private planning office. In addition, qualification measures accompanied the planning phase by including methods on competence building in group-work techniques (how to develop ideas, define a vision and strategic objectives). Furthermore, selected groups participated in visits to other rural areas in Germany, Austria and Hungary in order to visualise similar local development processes, to learn from each other and to establish a continuous knowledge transfer through a network of rural areas meeting once a year.

In 1994, all working groups participated in a professional seminar in which local conditions were assessed and a strategy for development was designed. This seminar also contributed to the co-ordination of new activity-oriented working groups and to the identification of all participants with the development process. Concrete measures were defined and prioritised. In 1995, the Annaberger Land thus obtained the status of LEADER II area of Saxony. LEADER supported the region in realising planned activities, particularly those with innovative approaches in creating rural employment opportunities. The local working groups then founded the "Development Agency of Annaberger Land" (*Verein zur Entwicklung der region Annaberger Land*) in 1996. The initial purpose of the non-profit society was to support the implementation of measures defined during the planning process. Besides natural conservation, fostering of traditions and regional identity, the organisation of seminars and extension are some of the tasks assumed by the society. A main characteristic of this institution is to formally bind members to joint activities that create commitment and a sense of ownership. The society itself has no decision competencies in local development and can thus mediate between different interest groups.

b) The French experience

In France, important steps have been taken in the nineties to encourage the creation of voluntary groupings of municipalities to foster local development projects transcending traditional administrative boundaries. The first important measure in this direction was the adoption in 1995 of the territorial planning law that authorised the creation of micro-regions (*Pays*),

characterised by a certain degree of geographical, economic, cultural or social cohesion. Around one hundred voluntary groupings of this type were created up to 1999, with close to half selected on the basis of a national procedure to support various local development projects promoted by these micro-regions. The sustainable territorial planning law voted the same year introduced important changes to facilitate on one hand the adoption of a local development strategy and to closely associate civil society to its definition and implementation on the other. To achieve this aim, a sustainable development charter stating aims and major strategies (choice of main development sectors and methods) was made compulsory.

The other innovation concerns the obligation for micro-regions to create a Development Council comprising representatives of all segments of civil society, whether associations or general interest groups, agriculture and business organisations. The development council is closely associated through working parties in the definition of the charter and then in implementation and follow-up activities. These development councils can comprise members of municipal councils but their exact composition and number of members is left to the decision of the founding municipalities. This approach seeks to conciliate a certain degree of organisation with a great degree of flexibility in the application of the principles destined to ensure association of civil society in the development process. Once a micro-region has created its development council and adopted its charter, official government recognition is given on the basis of verification of compliance with these principles. This recognition is necessary for access to certain European and national local development financial instruments. At this stage close to 300 new micro-regions are in the process of constitution.

Proposals concerning the reinforcement of micro-regions

The shortcomings analysed in the functioning of the MTJ micro-region, which are probably common to many, due to the lack of funding and sufficient advisory support, as well as the above-mentioned European experiences, suggest a set of proposals destined to reinforce the micro-regional level in the Czech Republic. Most of the following recommendations could be translated into a specific law that would create a reference framework with compulsory measures leaving a certain degree of adaptation to local conditions as has been decided in France. The underlying concern is to ensure participation of and appropriation by civil society of the development process so as to ensure its long-term success through facilitation of local initiative. On the same level of priority, it is necessary to reinforce the

resources available to micro-regions to help them in defining and implementing their strategy.

Table 41. **Proposals on governance**

Area	Subset	Level of responsibility	Financing	Time frame
Territorial targeting of aids	Review of mechanisms and future application to micro-regions	Ministry of Regional Development (MRD) with Regions	Channelling of national and European funds	Medium term
SWOT review of micro-regions within NUTS III regions	Determination of objective criteria for regional territorial planning	MRD with Regions	Application of regional policies	Medium term
Reinforcement of Regional Development Agencies (RDAs)	– inclusion of micro-regions in RDAs	MRD (law?)	Micro-regions	
	– sufficient level of staffing	MRD / Regional councils	MRD / Regional councils	Short/ Medium term
	– adequate training	MRD / Regional councils	MRD / Regional councils	Short/ Medium term
	– Creation of a consultative body for civil society	MRD / law		Medium term
Reinforcement of micro-regions	– Adoption of a local Sustainable Development Charter	MRD / law		Medium term
	– Permanent staffing	MRD / law	micro-regions with national / regional support	Short/ Medium term
	– Dissemination and communication (on-line, off-line) of information from other levels of government and explanation of local policies	Towards micro-region, by MRD, other state administrations, regions; systematic updates on policies and procedures (information kits, seminars)	MRD, other administrations, Regions	Short term
	– Create a "micro-region of the year" contest	MRD	MRD	Medium term
Dissemination of best practices, exchange of information on micro regional experiences	– Help the Czech Union of Towns and Municipalities (SMO) to gather and disseminate information on micro regional experiences (data base, website)	MRD	MRD	Medium term

Source: OECD Secretariat, 2002.

The effective participation of inhabitants in the definition of strategic goals and in their pursuit is a key factor of success in local development environments. Change of mind sets, emergence of active networks, and creative leadership of local business champions can be facilitated if this is properly ensured. The creation of a consultative body in each micro-region appears necessary for this purpose. This body would be responsible for the set-up and functioning of different working groups decided on the basis of local requirements. The exact composition of this body should be left to the micro-regions provided that they respect a certain number of basic principles devised to ensure a wide and equitable representation.

This body should facilitate an open debate with all inhabitants on proposed goals and areas of development so that society at large can voice its opinion without necessarily participating directly in the process. This debate would particularly aim to create awareness on the purpose of the micro-region, its usefulness and the proposed long-term goals. At the end of this dissemination process, a charter reflecting local development concerns, goals and methods could be adopted as a useful reference tool for the annual programs decided by the association of municipalities. Going a step further, a detailed charter could serve as a basis for dialogue with the region and particularly with the Regional Development Agency, to organise overall territorial planning and regional development policies. Such an approach could help in addressing the issues of lesser-developed micro-regions and those with structural development problems as well as regional priorities and territorial specialisation.

The last set of proposals is designed to enhance the efficiency of operation of micro-regional associations. In particular, minimum permanent staffing and offices are required, with increased financial support from the participating municipalities to that end. If needed supplementary national or regional funding could be provided to begin with. As demonstrated beforehand it is effectively of the direct interest of regions to deal with partners with sufficient and well-qualified staff, if only to ensure adequate implementation of regional policies when these transcend the simple municipal level, which is the case of most economic development matters. The efficiency of operation also supposes adequate communication by micro-regions on their own policy goals and on regional and national policies and procedures. As has been underlined in different parts of this report, many potential aid beneficiaries, particularly amongst SMEs are not always aware of the existence of financial procedures or training schemes from which they could benefit. The micro-region is the level of choice for disseminating such information and it should be systematically pursued both on and off-line with the help of other government levels.

Monitoring of local policies and evaluation of projects as well as communication of results achieved are part of this necessary process of on-going dialogue with inhabitants and civil society. To facilitate and publicise this it is suggested that the "Village of the Year" contests that regularly take place with the active support of the Ministry for Regional Development to underline excellence in different local policy areas be extended or transferred to micro-regions. Most innovative and sound local development policies would thus be encouraged, facilitating dissemination of best practices. With the same purpose it is recommended that national authorities provide financial and consultative support to the Czech Union of Towns and Municipalities (SMO) to gather and analyse information on micro-regional policies and practices so as to promote useful exchanges of experience that are entirely lacking at this stage. A specific database and/or website could be set up for this purpose and action should extend to collecting useful data on foreign experiences in the same field.

Scenarios of development

Some basic questions

At the outset of this territorial and development review of the Moravská Třebová-Jevíčko micro-region a certain number of recommendations have been formulated in different areas, whether labour markets, vertical economic sectors or the far-reaching domain of governance. Even if proposals have been organised so as to provide a clear picture of the situation, prioritisation of possible measures to capitalise on assets and correct weaknesses is open to debate. Major issues remain apparently complex and in particular links between different fields and types of recommendations do not seem to appear easily. In an environment where practically all areas of everyday life in a small rural territory have been reviewed, trying to understand the present and the influence of the past while considering the future is not in itself an easy task. On the other hand, mastering complexity requires asking the right questions to begin with.

The first important question is that of the factors upon which there appears to be a certain degree of leverage at the local level. Which are these factors? Are they important? Are they determining for future development? This initial question is fundamental insofar as a local development strategy cannot be based mostly on expectations and funds from other levels of government. These should not only serve the purpose of providing resources that are not available in the area but they should also help to amplify a locally triggered process.

The second question is set in a very operational mode: how can a list of proposals, supposing that they are recognised and agreed upon, be transformed into a local development strategy and action plan? Examining different problem areas and coming up with apparently logical and sound proposals is not always as easy as it may seem but orchestrating these recommendations in an efficient and truly value added fashion is even more difficult. A strategy cannot be just a list of proposals organised in time or in sequence. It is based on guidelines that ensure the necessary coherence. Which are these guidelines? How are these identified? How can agreement be secured on these? Answering these questions is part of the process of defining and adopting a strategy.

Another area of concern is that of clarification of responsibilities. What is without doubt of the responsibility of the national government? What is basically that of the regional level? What is clearly that of the local level? Answers are usually found in the law but that does not prove entirely satisfactory since areas of practical overlapping always exist. What are these areas? Is there a risk of blurring the issues? Are responsibilities clearly defined? These questions are all the more relevant in the present context that it is one of transition. Besides, they raise issues of co-ordination and possible synergies as well as those of conflict or paralysis. The latter could occur by simple lack of action, assuming that the responsibility is situated at another level of decision and implementation.

In the necessary effort to grasp the different tools and identify the channels of action available, questions arise concerning the legal and financial implications of certain decisions, particularly in a context where the traditional distinctions between public responsibility and private initiative tend to be less clear. The search for useful public/private partnerships brings forward new challenges and new complexities. Which networks in the business community and/or in civil society can be usefully associated to public action? How are these networks identified or even encouraged to express themselves? Such questions of governance are coming more and more into focus in many countries and the answers given are crucial in the outcome of most development projects.

A most legitimate and essential question relates to the timeframe. How and when will the first positive effects of a sound local development policy be felt? Is it reasonable to expect some of these on the short term? Can some short-term results become lasting foundations for far reaching goals? If so under which conditions can these results be made sustainable? How can medium and long term objectives be understood, shared and supported, particularly by civil society? Can the articulation between the three time frames

be understood and accepted by potential beneficiaries? If confidence is built in the initial stages how can it be maintained on the longer run when the enthusiasm of the beginning tends to erode and scepticism or impatience come forward once again?

Some simple answers

There is no single set of answers to the preceding questions. The following are simply emphasised as essential approaches to understanding and shaping the development process. They are also presented as main elements that should be able to help in organising a necessary debate as well as creating a certain consensus on basic and clearly understood goals. Initialising the process requires careful preparation but the dynamics of change do not necessarily require complex procedures or securing important financial resources to begin with. Putting things another way, pump priming is far from being only a matter of proper funding.

Concerning leverage, the number one area where confidence building can be sought and practical action taken is that of dissemination of information. An information deficit concerning national, regional and local policies has been noted in many areas and proposals made to ensure a better information flow. The economic value of information in itself should be stressed in terms of missed opportunities if local actors cannot access certain aids or procedures for lack of awareness concerning their existence. Partial access to information is not necessarily better as acquisition of accurate and practical information can be difficult and time consuming, thus leading certain potential beneficiaries to abandon the process. It should be stressed that major improvements in this field are not costly and can be taken mostly from the local government level. Such an approach is conducive to higher visibility in terms of governance, which is essential to foster a democratic dialogue with all inhabitants. Here again, organising communication and participation is a matter of local responsibility. Even if formal decisions concerning the creation of consultative bodies within micro-regions associations are later taken at the national level, the existing law on municipalities offers room for initiatives (organising forums or local debates) that would stimulate participation.

On-going dialogue with civil society and the business community in particular is precisely the required cornerstone for adopting a local development strategy through presentation and discussion of options at the level of the whole micro-region. Such a debate, organised by the association, would create an opportunity for citizens to understand its purpose and strengthen links between the 33 different communities it brings together. Specific working parties should

be created for that purpose by inviting different representatives of socio-economic sectors and local associations. Without seeking to influence the outcome of the local debate, some basic facts that are specific to MTJ could be put forward in terms of existing or potential assets. Among these, the importance of agriculture in the local economy as compared to other parts of the Czech Republic must be emphasised and understood as the basis for stronger links between this sector and rural development as a whole. Likewise, the pleasant environment and low population density create proper conditions for tourism. Also the favourable age structure provides the opportunity to support the creation of new businesses by young people and better publicise their achievements as examples.

As the preceding considerations amply show, initiatives can be taken at the local level in many fields without necessarily waiting for the process of regionalisation to be finalised or possible national reforms and measures to be implemented. Whether these apply to participation of civil society or reinforcement of the human resources and budgets available to the association of municipalities, there is leeway, provided the local emergence of a strong political will to promote the micro-region as a proper reference for development policies. A pro-active approach should not be considered as a substitution of the local level to other levels of responsibility but rather as a way of initialising a process that could then be comforted by adequate external measures and financial support. Possible initiatives to reinforce the micro-region and the means at its disposal could thus be presented as pilot projects with support given on a conditional basis supposing the proposed action has been decided within the framework of the present set of proposals and supported by inhabitants. In other terms it is strongly suggested that the association of municipalities be offered the possibility to go ahead and experience certain policies, co-ordinating with the region and national authorities. At a later stage these could be properly codified and generalised to other micro-regions.

The importance of local networks in the process of development has already been stated. In MTJ their present weakness has been underlined, particularly because of the fact that many organisations are district based and have their offices out of the area. Thus, the chamber of commerce and the chamber of agriculture are localised in Svitavy. The disappearance of the district will render this kind of organisation obsolete. On the other hand, professional organisations and associations will not be able to afford a direct presence in all micro-regions and will mostly maintain offices at the level of the main city/cities of the NUTs III regions, with antennas in certain micro-regions. It is clear that decisions from this point of view will be taken on the basis of a certain number of considerations, the foremost being local development perspectives. The emergence of local representatives in different fields, capable

of assuming leadership positions will be all the more possible that they feel they already have a saying in local affairs, by active participation in micro-regional matters and debates. Thus, emergence and strengthening of networks can be facilitated and supported by offering the opportunity for motivated individuals to take responsibility in local affairs.

The answers to the apparent contradiction between short term expectations and long term results in many fields are quite simple and bore down to the issues of visibility and perception of change. An adequate circulation of information, a more active participation in public affairs and an open debate are important changes in themselves. A new sense of opportunity can be created provided that all inhabitants are afforded the possibility to express views and challenged to imagine the future with the efforts and measures necessary to achieve certain goals. Besides pursuing a change in attitudes, tangible signs of renewal also play a very important role. Efforts in architectural restoration that are highly visible can contribute towards creating a sense of pride, while increasing attractiveness for inhabitants and tourists alike. Adequate sign posting also constitutes a positive reminder of efforts consented by the community towards common goals. Thus, infrastructure projects realised under the aegis of the association of municipalities can be usefully identified as such.

Three plausible scenarios

Development scenarios...are only scenarios. They are subject to discussion and criticism and the reality always proves to be elusive. On the other hand they serve the purpose of identifying more closely the factors that can be leveraged as well as the links between different policy areas and their respective weight. Scenarios are also difficult to quantify because of the bearing of exogenous factors such as the state of the world economy during a given period and its impact on the overall performance of the labour market. This is even truer today in a global economy and in the context of EU accession, with certain areas of policy not exclusively national any more. Having identified the risks and opportunities three scenarios can emerge: stagnation, limited progress, progressive but in-depth evolution.

Stagnation

This scenario is not one resulting from lack of new action but one translating partial uncoordinated measures and lack of true ambition. This would occur if change were expected mostly from supplementary funding for various projects not necessarily related to an overall well identified strategy. Lack of proper human resources for the association of municipalities would prevent it from properly assessing options before proposing decisions and monitoring the effective implementation of projects. Likewise, the association would be at difficulty in maintaining a fruitful continuing dialogue with other levels of government. Dissemination of information and communication would remain at a modest level, more by lack of follow-up than absence of action in this field. Participation of inhabitants in local affairs and debates would be modest and certainly at a lower level than proclaimed intentions not assorted by effective measures to facilitate the process. It should be underlined that this scenario can very well be verified in spite of a true local potential and ambitions. Difficulty in increasing the powers of the micro-region association because of inadequate understanding and acceptance of the pivotal role that it should play could very well lead to such a situation. If this were to be the case, development prospects would be reduced, further jobs would be lost and young people would seek to secure their future elsewhere, including in adjacent areas.

Limited progress

The difference between this scenario and the preceding one would be both quantitative and qualitative. Overall goals would be better understood and some amount of local debate creating true expectations would occur. A certain number of important recommendations would be effectively adopted but cross-sector links and horizontal approaches would be somewhat neglected. The micro-regional association would reinforce the means at its disposal but still remain at a lower level than adequate implementation of policies and projects would imply. Dissemination of information and communication would develop but dialogue with civil society and the business community would be more occasional than regular. In other terms the development process would remain relatively fragmented and its working mechanisms rather confidential. Results in certain sectors could be achieved but synergies would be lacking and the development of the SME sector would be too modest to have a significant impact on the local economy. No major change or investment would occur in this context and reliance on outside support would remain relatively high so as to sustain the limited development process.

Progressive in depth evolution

The major difference in this case lies in the effective start-up conditions of the new process and in measures to ensure its long-term sustainability. In other words definition and adoption of the strategy and its consecutive launch would mobilise mayors and different segments of civil society alike. The high expectations thus created would be followed by careful monitoring and regular communication on progress of measures and policies. Strong implication of all levels of government in the process would be effective, insofar as region and state would be committed to support a development strategy that could be considered as a model for all micro-regions. To ensure proper launching, monitoring and evaluation, the MTJ association of municipalities would receive the required level of staffing and be a recognised and reliable partner for other institutions. A substantially higher proportion of municipal budgets would be devoted to projects of a micro-regional dimension, under the management of the association. Local citizens would participate regularly in meetings, forums and working parties to express their views and make proposals. Local associations and business networks would develop accordingly.

These positive changes would favour SME creation, mostly at the initiative of young people, who would receive proper support, training and advice through the active business information centre created in the area. New investment would come in and job creation, aided by adequate incentives, would bring down the jobless rate. Progressive structural change in industry and agriculture, with higher qualification, diversification and productivity would occur. The nascent tourism sector would enjoy regular development, thanks to support of private investment in lodging infrastructure and active promotion of local activities, such as biking. The unique narrow gauge railroad would be one of the major attractions, after refurbishment through a joint public/private partnership. Through this balanced approach to development in different sectors, based on local assets, reliance on outside support would start diminishing on the medium term as a sustainable economy emerges.

Concluding suggestions

This report simultaneously addresses three levels of government: national, regional and local. It concerns a specific micro-region but its conclusions and recommendations have been drawn with a view to application within other micro-regions. For these reasons it appears necessary to proceed in several steps with a certain method to ensure agreement and appropriation of the

main proposals. The first steps would support the processes of decision, implementation and evaluation. The other steps, to be taken before the end of the preceding time frame, would aim to disseminate findings towards other micro-regions with the goal of strengthening local development efforts.

Initial steps

The creation of a multi-level working party co-ordinated by the Ministry for Regional Development is suggested. It would associate national administrations, the two regions of Pardubice and Olomouc and the Association of MTJ Municipalities. The working party would debate the main findings and recommendations of this report and prepare a set of decisions on this basis, to engage MTJ in an overall pilot project. The aim of this project would be to observe and analyse results in view of application in other micro-regions. The working party would thus meet at regular intervals to follow implementation, take corrective measures if necessary and assess performances. If required, OECD could make resources available upon request to facilitate this process as well as helping to prepare the following step.

Dissemination

In the course of the year 2003, preliminary pilot findings could serve as the basis for a national meeting of micro-regions under the auspices of the Ministry of Regional Development. This meeting, organised in thematic workshops, would serve the purpose of exchanging experiences and highlighting best practices both in the Czech Republic and abroad. Such a meeting and the ample debate it would provide, adding to the initial experience of MTJ, could prepare the implementation of certain measures and funds open to micro-regions, including in particular European structural funds. It could also pave the way for certain reforms, aiming to complete the law on municipalities, so as to define more precisely the development role of micro-regional associations and the participation of citizens in the definition and implementation of local development strategies.

APPENDIX TO CHAPTER 6

Partnership definition and concept

In recent years, many OECD Members countries have witnessed changes in the institutional responsibilities of the various levels of government involved in rural areas, greater decentralisation of responsibility, and a general decline in government resources. These elements have created the need for greater co-operation and collaboration, not only among public sector institutions but also between public and private sectors in defining and seeking solutions to rural issues. As an outcome, many Member countries are paying increasing attention to various forms of partnership as an element of a rural development strategy.

It is useful to begin with a definition and a classification of different types of partnerships (...)

A definition of partnerships used by the OECD in the Study 'Partnership for Rural Development' is:

"...partnerships are systems of formalised co-operation, grounded in legally binding arrangements or informal understandings, co-operative working relationships, and mutually adopted plans among a number of institutions. They involve agreements on policy and programme objectives and the sharing of responsibility, resources, risks and benefits over a specified period of time]" (OECD, 1990, p. 18).

The OECD study further identifies three important conditions for the formation and success of a partnership:

- a) Clear sense that an important problem situation exists and that some form of public or public-private partnership is a reasonable strategy for addressing the situation.
- b) Hope for resolving the problem of opportunity for all partners to benefit some way.

- c) The motivation and commitment to make the partnership work.

Though by no means a panacea for solving rural development problems, partnerships can be effective mechanisms to improve relationships among different levels of government, public agencies and the private sector and to bring together human and financial resources from a variety of sources to achieve common objectives for rural development.

Partnership arrangements can take many forms and have been referred to in a variety of different ways. In all cases they may operate at different scales whether at the national level involving many jurisdictions or at a more local level affecting one region only or one community. In addition, all can be characterised as operating either through a legally binding or an informal arrangement.

Types of partnership have been broadly classified as follows:

Public sector partnerships

Partnerships among public sector institutions are of two major types:

Horizontal: co-operation among/between different ministries/departments of government at the same level – also referred to as intragovernmental partnerships. Such a horizontal partnership among entities with similar power can be viewed as a partnership of equals. (...)

Vertical: co-operation among/between federal, and regional and local governments – also referred to as intergovernmental partnerships. Thus a partnership arrangement between the Federal Government and the State, or between the state and the county or local government, or among all the three levels of government would represent this type of partnership. Generally such partnerships are not a partnership of equals. The Federal Government through its agencies can usually bring to table far more resources than the state or the local government.

Public-private sector partnerships

In many countries, the private sector, whether for profit making or non-profit making community organisations or individuals, is increasingly playing a role in development at the local level. Greater participation and involvement by the private sector at the local level has led to the development of non-governmental partnerships. However it has also resulted in a greater need and opportunity for collaboration between the public and private sectors.

Public and private sector partnerships essentially fall into two major categories. Simple – direct co-operation between an agency or department of any level of government and the private sector. The provision of a programme grant, loan or other funding from one or two public agencies whether federal, state or local, to support a single private organisation in a particular project would fall into this category.

Complex (traditional) co-operation between/among different levels of government, both intra and intergovernmental, and the private sector that has evolved over time to undertake a particular project. The catalyst in such cases would probably be generated by the local or state level rather than from the Federal Government.

Complex (new) rural development, multi-stakeholder partnerships that have been created as a direct outcome of a specific federal programme or that have evolved through local partners coming together to discuss the future of their area. (...)

Private sector Partnerships

Private sector. Through the primary focus of the OECD work is the role of public policy in rural development, and hence the role of institutional partnerships, partnerships between private sector organisations are nevertheless important in rural development context. Greater co-operation through private sector partnerships, between and among, profit and non-profit sectors, can be an effective tool, for example, in dealing with problems of scale and markets in rural areas and accomplishing projects where not for profit and profit organisations come together for community related project. Few private sector partnerships are completely without some form of public assistance, hence the majority would fall into the simple public-private sector category.

In summary, classifications of partnerships have traditionally focused on the partner involved, This ignores the main question: for what purpose do partners come together? By examining partnerships from this perspective, two main categories emerge. First, there are those traditional partnerships which focus on a specific project. Second, there are those more recent partnerships that focus on less tangible goals. These goals include such things as capacity-building, capital, and or labour for rural development. In both categories, partnerships are a means to achieve different objectives.

Source: Partnership in the United States, (OECD, 1997b).

NOTES

1. This remains valid, whether MTJ remains in the Pardubice Region or shifts to the Olomouc Region, the latter containing an even higher number of micro-regional groupings (41 compared to 24).
2. See comparator study presented as an appendix to this report.
3. See comparator study on the *Pays de Haute Moyenne* (with a map of *Pays* in France), presented as an appendix to this report.

CHAPTER 7

CASE STUDIES

Local development in the Annaberger Land, Saxony, Germany

The case

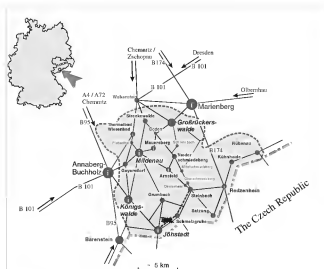
In the last decade, many rural areas in the new Länder of Germany have suffered from the major economic and social changes caused by the breakdown of the German Democratic Republic (DDR). The legacy of socialism has left the country with a weak and non-competitive industry, obsolete technology and poor infrastructure. Particularly in rural areas, economic restructuring has caused a sharp rise in unemployment, a loss of social services and growing depopulation. Those regions, lacking the large investments that create significant new employment opportunities, often face economic stagnation and apathy of the local population. Wherever rural areas attempt to counteract this development they have to make use of their endogenous resources and exploit their regional potential.

The Annaberger Land region in Saxony is a good example of how integrated local development can mitigate adverse economic and social effects by initiating rural tourism and niche market activities. These have the potential to provide new employment and income opportunities with value-added or service-linked products. The Annaberger Land is the subject of continuous and determined efforts of public authorities and the local population to transform it from an economically poor region into a developed one in terms of tourist services and niche market activities. These activities have been spread over many different spheres, such as agriculture, tourism infrastructure, leisure and sports facilities, handicraft, qualification, building restoration, village renewal, cultural heritage and rediscovery of traditions. By fitting these activities into a broad development strategy, a significant step has been taken in making the area more attractive to visitors and to increase the quality of life of the local population.

Annaberger Land characteristics

Annaberger Land is situated in the central part of the 'Erzgebirge' in Saxony, directly at the border to the Czech Republic. Its peripheral position and its lack of accessibility to major transport routes give it the profile of an unfavourably structured region. With 15 sq. km of total land, the Annaberger Land is a voluntary grouping of communities belonging to two districts: 'Annaberg-Buchholz' in the western part and 'Mittlerer Erzgebirgskreis' in the eastern part. The principle towns are Annaberg-Buchholz and Marienberg, where no national administrations are located. The regional 'Office for Agriculture' is situated in Zwönitz (about 25 km) and the Office for Rural Reorganisation' in Oberlungwitz (about 50 km).

Figure 5. 'Annaberger Land'



Source: Annaberger Land Development Agency

The small region comprises seven rural communities with a total of 21 883 inhabitants. The development of the population shows only a slight downward trend during the last 9 years, although the region exhibits an unfavourable age structure. In the two districts, 36.9 per cent of the population is more than 50 years old and only 28.7 per cent ranges between the ages of 18 to 40. The population density in Annaberger Land is 140 inhabitants per square km.

Table 42. Population of the communities, 1991 and 2000

Community	1991	2000	Trend
Geyersdorf	1 028	1 197	+
Großrückerswalde	4 130	4 064	-
Hirtstein	3 310	2 903	-
Rehstadt	3 711	3 439	-
Königswalde	1 752	2 363	+
Mildenau	3 977	3 896	-
Wiesa	4 150	4 001	-
Total	22 058	21 883	-

Low mountain range characterises the regions' landscape, ranging from 415 metres above sea level to 899 metres. Low average temperatures of about 5-6 °C, a short vegetation period, high precipitation of 860-950 mm per year and predominately poor, sloping soils offer unfavourable conditions for intensive agricultural output and favour extensive milk production and forestry. Historically, ore mining, the textile industry, wood manufacturing and agriculture characterised the economic activities of the region. Under socialism, a handful of industrial units in textile, household appliances and automobile parts dominated employment opportunities in the region. In addition, manufacturing in small and medium-sized enterprises continued thanks to the remote location of the area which made it unattractive for larger industrial complexes. Within the last decade, this small structured economy has been an important asset for the region.

Almost none of the larger industrial plants survived economic transition after reunification. Hence, the number of unemployed people increased to a level of 23 per cent, including about 5 per cent of unemployed people working in job creation programmes in 1993. Many women that had worked in the textile industry lost their job. Besides, the lack of local jobs obliged most people to work out of the area, in Chemnitz, Niederschmiedeberg or even the western part of Germany. The difficult situation at the labour market encouraged many to leave the area, creating a rapid depopulation and an unfavourable age structure.

Agriculture has always played an important role in the local economy despite the unfavourable natural conditions in the hilly area. In the process of agricultural restructuring, five collective farms were transformed into three agricultural co-operatives and one stock company, together cultivating 94 per cent of total agricultural land. Additionally, four individual farmers working full-time and 50 part-time farmers were identified by 1993. In that period, all farms had only short-term contractual relationships to distant traders with an exception in milk production, a co-operative structure with a milk processing plant in Chemnitz guaranteeing long-term marketing agreements. Producer marketing organisations did not exist at all. Low profitability and difficult natural conditions not suitable for intensive crop production made a further reduction of employment in the sector likely.

Even though Annaberger Land is located in the centre of the Erzgebirge, which is a traditional tourist area, it could provide hardly any offer in tourism at the beginning of the 1990s. Rare lodging and restaurants were not adapted to the standards of a modern tourist industry. The appearance of the villages, for the most part, did not foster tourism, because of the shabby appearance of most buildings and village centres including unsightly agricultural facilities in the villages' vicinity. The available tourism infrastructure concentrated on poorly maintained walking paths lacking clear sign posting, obsolete sports facilities and inadequately marketed cultural attractions such as the ore mining traditions and local handicraft. This cultural heritage and local traditions truly endow the region for tourism but the predominant asset for a tourism industry is the attractive landscape, well adapted to outdoor activities.

In terms of local development, all communities had to face issues such as managing sewage disposal and providing high-quality drinking water, restoring buildings, roads and field tracks in order to provide a sufficient technical infrastructure to local population and visitors alike. Cultural and social life also had to be revitalised in order to enhance the quality of life and lower the pressure to emigrate.

The development process, institution building and support schemes

In such a situation, an integrated local development process seemed to be the only way to counteract the adverse effects of economic restructuring during transition. Being an unfavourably structured area, the Annaberger Land managed to gain the status of an EU pilot region in the beginning of the 1990s. Hence, it could significantly profit from various regional, national and EU

support schemes, enabling the area to initiate a development process that is exemplary in the new Länder.

The first major impulse to integrated local development in the area came from the application of the "Agricultural Structure Development Plan" (*Agrarstrukturelle Entwicklungsplanung, AEP*). In contrast to many other German regions that used this support scheme, the AEP in the Annaberger Land was realised in an exceptionally participative way. Not only could the local population voice its opinion on suggested measures but it was also actively involved in the planning process itself. A private planning office was appointed to conduct the territorial plan. It held essentially the function of facilitating the discussion process and making concrete proposals based on people's suggestions. The inhabitants had to identify potential conflicts in use of local resources and to develop solutions and strategies to avoid or solve these.

In combination with EU structural funds (Objective 1) and communities' contribution to financing (10 per cent of total planning costs), an in-depth situation analysis was conducted as a first step in 1993. The importance of active participation of the local population was communicated to local authorities in a kick-off workshop in which all mayors and their deputies participated. The workshop and other preparatory work had also a positive impact on local governance since it better qualified mayors in matters of communication and reduced the hitherto strong competition among communities and districts.

A small group of involved representatives of the communities, the planning office and the local 'Office for Rural Reorganisation' then decided to create working groups for specific topics. Eleven such groups designed questionnaires covering three central issues: recreational activities and the environment, village life and social infrastructure, industry and trade. Based on the information from the survey, a first common vision of local development emerged. Motivators, i.e. motivated citizens, then took over the responsibility of different topics in the working groups and stimulated discussion in the following areas:

- Technical infrastructure
- Agriculture/landscape protection
- Agricultural marketing/trade
- Tourism/tourism offers
- SME development/commuting/transportation

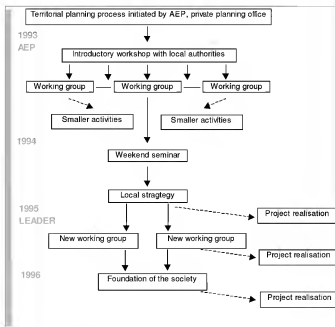
- Museums/traditions/regional identity
- Public relation

Over a period of one year, the working groups met almost once a week to discuss certain topics, solve potential conflicts and devise feasible solutions to different problems. Technical support came from the local and regional administration, various experts and the private planning office. In addition, qualification measures accompanied the planning phase by including methods on competence building in group-work techniques (how to develop ideas, define a vision and strategic objectives). Furthermore, selected groups participated in visits to other rural areas in Germany, Austria and Hungary in order to visualise similar local development processes, to learn from each other and to establish a continuous knowledge transfer through a network of rural areas meeting once a year. Visiting other regions and discussing about their approaches to tackle similar problems proved to be a very efficient way to secure lively and committed working groups.

In 1994, all working groups participated in a professional weekend seminar in which local conditions were assessed and a strategy for local development was designed. This seminar also contributed to the co-ordination of new activity-oriented working groups and to the identification of all participants with the development process. Concrete measures were defined and prioritised by answering the following questions, related in each case to the different topics:

- What is the situation?
- What should be changed?
- What is our vision?
- What kind of action should be carried out?
- Who is able to realise it and with whom?
- How/with what kind of support?
- Which are the priorities?

Figure 6. Local development process in 'Annaberger land'



Note: Support through qualification and regional administration

Source: OECD Secretariat, 2002

In 1995, the Annaberger Land obtained the status of LEADER II area of Saxony. LEADER supported the region in realising planned activities, particularly those with innovative approaches in creating rural employment opportunities. Thanks to LEADER, the local working groups founded the Development Agency of Annaberger Land ('*Verein zur Entwicklung der Region Annaberger Land*') in 1996¹. The initial purpose of the non-profit association was to support the implementation of measures defined during the planning process. Besides natural conservation, fostering of traditions and regional

identity, the organisation of seminars and extension are some of the tasks assumed by the agency. At the beginning, staff financing was ensured jointly by the national job creation programme and LEADER funds. At present a contribution of each community covers a part of the agency's expenses. Other financial sources are membership dues, services offered by the society to local entrepreneurs and continued support from the job creation programme. A main characteristic of this institution is to formally bind all members to joint activities that create commitment and a sense of ownership. The society itself has no decision competencies in local development and, thus, can mediate between different interest groups.

Local development measures initiated

According to the local strategy developed, measures and activities have been initiated in the fields of tourism, SME development, Information and Communication Technologies (ICT), agriculture and social life. As a precondition, however, communities had to improve their technical infrastructure and restore architectural heritage and village appearance. It was also important to reinforce the sense of local identity in a constructive and forward-looking way by revitalising traditions of the Erzgebirge, so as to support both tourism and endogenous development.

Village renewal and technical infrastructure

The activities in village renewal and technical infrastructure in Annaberger Land were supported by various regional and national programmes for village renewal which allowed the communities to carry out widespread measures in setting up gas pipelines, systems of sewage disposal, building restoration, redevelopment of roads and town squares. These measures substantially contributed to the quality of life of the local population and improved the appearance of villages, which is decisive for tourism.

Tourism

The development of a tourism industry in the Annaberger Land has been highly prioritised in the local development strategy. Due to its attractive landscape, there is little doubt that the hilly area has a potential for tourism. Sports activities range from walking and biking to skiing (cross-country and downhill), with the possibility of attracting tourists at any season. Additionally, the Erzgebirge has a rich cultural tradition in wood handicrafts, textile

manufacturing and ore mining. The targeted segment of customers is that with low or average budget wishing to enjoy a relaxing holiday in a charming rural area and have the possibility to occasionally attend cultural events.

Table 43. Important activities in the local development process

Field	Activity
Tourism	Restoration of walking and cycling paths Set-up of lodging and restaurant facilities New attractions: the narrow-gauge railway, New activities: seminars in herbology, spinning, lace making Local marketing strategy through the Development Agency of Annaberger Land
Agriculture	Landscape maintenance Programmes for extensive production Soil and natural conservation Diversification in agri-tourism and direct marketing
SME development	Wool processing company Erwotex Herb processing company Kräutertrot Handicraft and wood manufacturing SMEs in the construction sector
Competence building	Teleomatics in Rural Areas (TIRA) Support and Communication Centre for Women Development Agency of Annaberger Land
Village renewal and social life	Improvement of technical infrastructure Building and town square restoration Foundation of various cultural societies Revitalising traditions

Source: OECD Secretariat, 2002

In some communities, *i.e.* Jöhstadt and Steinbach, tourism already was an economic activity under socialism. However, tourism infrastructure consisted almost exclusively of functional recreation homes (*Erholungsheime*), to which tourists were sent by state recreation programmes. These buildings were not up to the standards generally accepted by tourists and were left unused in the beginning of the 1990s. In order to revitalise tourism and extend it to other villages of the Annaberger Land, three steps had to be taken:

- modernise and set up attractive and high-quality lodging and restaurants,
- install facilities for sports and cultural activities,
- pursue proper marketing.

Discussions in the working groups made clear that an over-ambitious and costly tourism development plan held a considerable risk of failure. Hence, the initiatives described in the following were mainly small scale. With the help of regional and national business development programmes in tourism and the initiative of private investors, 30 small hotels and guesthouses, 24 bed and breakfasts and roughly 35 holiday flats were either newly established or renovated. The total capacity of 1351 beds mainly covers the average and low budget segment. The majority of the facilities, built during the mid 90ies were financed with the support of the Saxonian Development Bank through subsidised loans and grants representing up to 50 per cent of investment.

Additionally, widespread activities in extending and improving offers and facilities were carried out in different communities. People employed in job creation programmes and volunteers restored, extended and labelled walking paths, created nature trails and cycling paths. German and Hungarian pupils designed labels for walking paths within a school project initiated by the Development Agency of Annaberger Land. Resting places and landscape rehabilitation measures further increased the attractiveness of the walking paths. High-quality cross-country skiing trails completed the network.

Another tourist attraction is the rebuilt *narrow-gauge railway* (www.pressnitztalbahn.de) from Jöhstadt to Steinbach. In the beginning of the 1990s, an interest group founded an association² that restored the traditional railroad gradually during the last 10 years with the help of volunteers and people employed in job creation programmes. Support mainly came from various sources of public financing and private donations. However, most efforts correspond to voluntary work and stem from the dedication of people sharing a passion for historical railroads. Membership dues, ticket sales and the fact that all people involved are volunteers cover the operational costs. The railway has become a major tourist attraction of the region. Currently, the association owns four steam locomotives, two diesel locomotives and 30 carriages of different styles running the total length of 8 km. The railroad operates every weekend from May to end of October and during Advent according to a regular schedule. An increasingly important activity is to organise chartered runs for groups and special events during holidays. In 2000 the number of passengers reached approximately 30 000.

Furthermore, various tourist offers have either created or revitalised (horseback riding, airport for soaring, cultural traditions museum, Christmas markets and village festivals). Another niche market in tourism is the offer of various seminars in designing, lace making, spinning and herb processing. These courses are often included in a package deal to address specific clients. Obviously, there is no mass market for these types of activities

but it helps the region to establish a specific profile as compared to other rural tourism areas. In terms of marketing, the Development Agency of Annaberger Land plays a central role. It collects information about all leisure and tourist offers in the area including opening hours, costs and target groups. Leaflets, a video and brochures support the marketing strategy. Additionally, the agency has compiled a detailed map of walking paths. The collection of all walking routes with a short description about length, severity and interesting sites is an offer for hotels which can copy single routes and hand them to tourists.

Corresponding information is accessible on the Internet (www.annabergerland.de), including a list of accommodation facilities and a regularly up-dated calendar of events. Besides these local activities, the area has integrated its marketing strategy into the concepts of the Erzgebirge and Saxony based on co-operation with the tourist information centre in Annaberg-Buchholz. Within the region, the agency in Arnshausen and the town hall in Mildenau serve as information centres. Furthermore, the agency offers market-based services to local entrepreneurs, e.g. issuing brochures for hotels and organising advertisement. It indirectly fosters qualification through advice and the arrangement of local seminars in tourism that regional training institutions carry out.

Information and Communication Technologies

The insight that Information and Communication Technologies (ICT) can bring great benefits to the local development process has led to the foundation of the non-profit society Telematics in Rural Areas (TIRA) in 1996 (www.tira.de). The LEADER II supported project is fostering the establishment of a decentralised business network in the unfavourably structured area. In co-operation with a private company offering Internet services (ID GmbH), TIRA seeks to bring local companies, associations and public institutions closer to national and international markets through knowledge transfer, information and services. The use of ICT should help companies to enhance their competitiveness and to secure employment. Concrete offers comprise basic PC courses, use of Internet, specific courses for schools and other educational institutions, access to Internet and Internet presentations of companies.

The tourism association of the Erzgebirge presents its complete range of offers with the support of TIRA and ID GmbH. The services offered are geared towards small and medium-sized enterprises for Internet site creation and maintenance and also the installation of e-commerce solutions. Other ICT projects in Saxony, such as virtual market places for real estate and second-hand

agricultural machinery have also been launched. Lastly, ICT has been implemented in local administration. In Mildenaau, where TIRA and ID GmbH are located, a virtual town hall enabling citizens to obtain detailed information and to deal with administrative formalities on-line has been set up. The project, launched in spring 2001, aims to process all administrative proceedings electronically.

SME development

Because of the difficulty in attracting a large employer to the region, economic development strategies had to focus on the creation of a number of diversified niche market activities and SMEs. An outstanding example is the textile manufacturer Erwtex in Jöhstadt. The company, founded in 1996 resulted from the activities of the 'Leitfaden' association that eight unemployed women from Arnsfeld brought into being two years before. 'Leitfaden' was created with the purpose of preventing social exclusion for women by making them use skills gained in the textile business. Supported by LEADER II, 'Leitfaden' and a group of private investors started the company Erwtex that processes sheep wool to innovative, high-quality niche products. The project generates perspectives of creating employment in textile manufacturing and gives smaller farmers an opportunity to gain additional income through sheep breeding. Thanks to the assistance of the Office of Rural Reorganisation, Erwtex established a co-operation with the Saxonian Textile Research Institute in Chemnitz allowing them to introduce a new technology in sheep wool processing. After a lengthy testing phase, the woollen mats produced successfully entered niche markets in the health sector, the automobile industry and ecology-friendly construction technology. At present, the limited liability company exists without any public support and gives four women a permanent job with seasonal employment for several others.

The corporation Kräuterhof GmbH pursues another niche market activity, which is based on the old tradition of herb production and processing in the Erzgebirge. Herbs are perishable goods, which makes processing close to production necessary when high quality is pursued. Hence, the idea was to build up a firm professionally producing and processing herbs in the Annaberger Land. Best practise from other locations in Germany helped the initiators of Kräuterhof to build up a commercial strategy. Supported by LEADER II the company was founded in 1996 with the participation of other firms. The agricultural stock company Mildenaau provides 10 ha of arable land for herb production, a Saxonian firm producing pharmaceuticals brings the necessary know-how and the Support and Communication Centre for Women in Mildenaau backs the project. After reusing an abandoned agricultural facility

and setting up the technical infrastructure, the company is now entering the market. Currently, two people are employed without support from the local labour office. If the company manages to successfully position itself on the market, it could employ 12 persons full-time given current production capacity.

Another emphasis in SME development is on traditional crafting of typical products from the Erzgebirge, i.e. woodcarving, glass sanding and stone cutting. To pool the supply of the two dozens crafting enterprises, a shop selling traditional local products opened in Königswalde. Lastly, the establishment of "trading estates" has attracted small firms in manufacturing, construction, tool making and electrical engineering. First attempts to use alternative energies are demonstrated by the wind park in Jöhstadt.

Agriculture, maintenance of landscape and economic diversification

At the beginning of the planning process, farmers were not willing to participate in the working groups. Lacking land consolidation and clear ownership rights, competition over land created a tense atmosphere between small and large agricultural farms. In the course of the development process, farmers' interest in the work of local working groups increased and in particular part-time farmers co-operated. The measures initiated in the agricultural sector primarily focused on the maintenance of the landscape, extensive animal and crop production on marginal land, environmental measures, soil conservation and forest regeneration. An improvement in sustainable land use, obviously, increases the value of the landscape and indirectly supports tourism.

In terms of marketing strategies, all large farms managed to become member of various producer-marketing organisations. Producers assess their membership as a decisive step in stabilising their position on the market and in improving their financial situation. This was less an effect of the local development process than of economic pressure and the general improvement of the institutional setting of agricultural markets in the new Länder. Participants in the planning process perceived direct marketing, the production of regional specialities and agri-tourism as a useful complement to the range of offers. However, farmers, in particular large agricultural co-operatives, showed no interest in developing diversification strategies although such activities could already be observed.

Thus, at a large scale, the agricultural stock company in Mildena, besides primary production in agriculture, comprises a vehicle dealership, agricultural inputs and machinery, fruit trade and a facility repairing agricultural machinery. Additionally, the company has shares in Kräuterhof GmbH and a

contract has been signed with a major supermarket chain. The agricultural co-operative in Königswalde sells part of its high-value veal to three local butchers after slaughtering. Some individual farmers sell beef from extensively reared cattle to local restaurants and directly to consumers. A fishing company breeds trout for the regional market, a small company sells smoked-eggs as a regional speciality. Furthermore, 10 and smaller farms provide agri-tourism facilities in the region.

Up to now, agricultural producers have managed neither to establish a professional direct marketing concept nor to co-operate with local restaurants at a large scale. Nevertheless, the potential of creating additional income through regional marketing still seems to be important. Hence, local administration and farmers are currently identifying the potential for direct marketing and negotiating with the owner of a shelter in order to build a farmers' market. This strategy would allow them to sell their products not only in the region but also to address visitors and travellers.

Competence centres

Simultaneously to the development process in the Annaberger Land, the Support and Communication Centre for Woman in Mildenau was established with support from the European Social Fund, regional support and assistance of the local labour office. The centre focuses on three pillars: *a)* qualification and re-training of women to tackle the problem of high female unemployment, *b)* provision of social services such as child care and *c)* tourism activities through low-budget lodging in combination with holiday seminars in lace making and herbology. The realisation of the centre largely results from the high commitment of women in the region. In the restored building that was a student hall before, re-training seminars for long-term unemployed women will give them the possibility to find new employment opportunities. Newly gained skills in herbology and herb processing, cooking and crafting have helped around 20 per cent of the participants to find new, mostly part-time, employment. The activities regarding herbology and the use of herbs in cooking and medicine represented the necessary impulse for the establishment of the herb manufacturer Kräutert Hof GmbH.

An additional initiative influencing the wider region is the establishment of the technology-oriented "Centre for Founders and Services" in Annaberg-Buchholz. This centre supports active local development and the process of structural adjustment by serving as a place for contacts and exchange of ideas. It offers funding, support and training for young entrepreneurs. This "incubator" building comprises several offices, laboratories, seminar and

conference rooms. It currently houses 33 enterprises with 120 employees in total. The heterogeneous structure of companies within the centre allows various synergy effects. Although the centre does not have a direct influence on the rural part of the district to which the Annaberger Land belongs, close co-operation with the centre allows continuous exchange of information, assistance in tourism marketing and support in setting-up small businesses. Main services provided by the centre are:

- Technical and organisational services: central copying facilities, fax and Internet provision, rental of seminar and conference rooms, organisation of seminars, provision of technical access to the Internet, development of homepages;
- Consulting services (development of business plans, external pool of special advisors, company creation, financing and public support programmes, technology transfer, innovation management);
- Assistance for investors (search for appropriate premises, financial help, procurement of industrial and trade areas);
- Procurement of contacts and local enterprise clusters with the help of a local economic information system (data base);
- Promotion of regional co-operation among the private sector (chamber of industry and commerce), regional and local administrations and with the national policy level;
- Co-ordination of regional activities in tourism and representation of the area at various tourist fairs;
- Technology transfer through close co-operation with universities and research centres in Saxony.

Elements of success

There is little doubt that the region profited much from its status as a pilot region in the beginning of the 1990s. This facilitated access to various support programmes at regional, national and EU level. Without this continuous financial support, the economically poor region would not have been able to implement such an array of measures and in particular, establish local governance suitable for rural development. Close co-operation between the

administration and the population enables the region to manage a development process beyond support programmes. The success of the planning process was also responsible for getting the status of a LEADER II region. Particularly, the combination of AEP and LEADER helped accomplish a number of activities while creating synergy effects.

The foundation of the Development Agency of Annaberger Land is certainly an asset from this point of view. It provides basic services in tourism marketing and fosters the implementation of projects. The partnerships with other regions organised by the agency have supported the process of developing ideas, overcoming difficulties and weathering setbacks. This helps the agency to secure an on-going extension and completion of regional offers despite its limited financial capacity. However, the financial security of the society is not yet obtained since it still is dependent on public support that allows only small-scale operation.

In the planning process, a key success factor was the involvement of a private planning office. It guided the local development process in co-operation with the regional administration without having direct interests in the outcome. Hence, power asymmetries and conflicts could be balanced and heterogeneous expertise was brought into the process. Particularly, expertise in motivation and facilitation techniques ensured goal-oriented planning, skills that local administration officers usually do not have. Additionally, regional administration, *i.e.* the Office for Rural Reorganisation, has been supportive in the development process. It dealt with legal aspects and provided extension and assistance in securing financial support beyond the call of duty. This underlines the importance of a functioning administrative level between the local and national level.

The identification of the local population with the planning and development process has been exemplary. In this respect, the relative small size of the area helped. Unlike other cases, the local population demonstrated high motivation from the very beginning and has taken ownership of the process. This made an intensive motivation phase needless. As in many rural development projects, single key persons and leaders contribute mainly to project implementation since they are able to constantly motivate people not to give up their ideas and plans in lengthy and difficult implementation phases.

During the entire process, responsible people have been aware of the importance of public relation activities to monitor and inform about progress and changes. Besides announcements in local newspapers, seminars and individual extension, "Village Television" multiplies the impact of developments as they occur. The "Village Television" is curiously a grass roots

initiative from the socialist period in which people set up the technical infrastructure to have access to western German TV. This has proved to be a convenient way to recurrently inform about local news.

Effects and assessment of the process

The local development strategy has been mainly based on the use of both endogenous resources and traditions with use of existing and new knowledge. Tourism and niche market development have been adjusted to local conditions, which means that even though tourism has been a dominant sector in the strategy, it has not been seen as the cure for the region. Besides, development of tourism and niche market activities can remain limited because they do not lead to large profits on account of the low purchasing power of the local population and the small budget segment targeted in tourism. Altogether, the share of unemployed people of about 18 per cent could not be significantly reduced although niche markets partly buffered the loss of industrial jobs. Also, many factors influencing the labour market are beyond the scope of the development process, such as the fluctuation demand in the construction sector.

Persistent high unemployment seems to be also the consequence of a lack of suitable active labour market policies. The dominant measure to reduce unemployment is the use of job creation programmes in the region. This might be justified by high structural unemployment. However, it has proved to have no significant effect in terms of bringing people into permanent employment. In contrast, non-targeted and widespread job creation programmes may even destroy jobs that otherwise would have been created by private initiative. Additionally, the local labour office offers qualification and re-training, in this respect, a more targeted approach might also be more efficient in terms of sustainable job creation. The Technology Centre is currently starting a new initiative in company-based training. Close co-operation between the local labour office and companies should enhance qualification programmes to better meet the skills actually required by industry and remove the still existing mismatches on the labour market.

The economic effects of local development in the Annaberger Land are difficult to quantify for various reasons. Firstly, the areas and projects eligible to different support schemes (e.g. AEP and LEADER) and numerous reforms in the territorial administrative system make comparisons and quantification of effects impossible. There is little doubt that intense investment in village renewal and technical infrastructure had positive effects on the construction sector, albeit they might not be sustainable in the end if further investments in buildings do not take place. Another major constraint in

development is the poor infrastructure making access to national roads and highways difficult. Deficiencies in transportation particularly prevent larger companies to settle in the region. Plans about a national road connecting the region to the main transport routes and an upgrading of the national road to the Czech Republic hold a potential for future investment.

Tourism activities have encouraged private investment in lodging facilities and restaurants, creating permanent and seasonal employment opportunities. It can be assumed that these developments prevented a further increase in unemployment in the area, thus partially correcting negative trends. This experience confirms evidence from other regions that tourism is not a direct answer to job losses caused by economic restructuring in other sectors. A problem in further expanding tourism or sustaining the market share is that the region is still lacking a sufficiently distinctive character and is facing competition from similar rural tourism areas. This is underlined by the low utilisation of the lodging capacity (around 25 per cent). This figure could also be explained, however, by excessive capacity as compared with true potential or by insufficiently targeted marketing.

Nevertheless, tourism has further potential for economic growth and employment opportunities not realised yet. For that, a better co-ordination in marketing the broader region 'Erzgebirge' is necessary since still too many actors pursue isolated strategies and are not willing to pool and professionally promote their offers jointly. In addition, new customer groups could be addressed, such as younger, sports-interested tourists or those attracted by specific traditions, e.g. the ore mining history. To enter these niche markets in tourism, complete packages must be developed and quality must be enhanced. Quality in services is still a problem in the region. The focal points are qualification of the staff in language skills, efficiency and courteousness of service in hotels and restaurants, and effective knowledge of local cultural and natural heritage.

Conclusions

Despite its diversified economic structure, the region has not managed to achieve significant economic growth and productivity gains. A lack of appropriate skills in the local labour force and a migration trend of young and highly skilled people are certainly factors that impede new investment. It is too early to evaluate how much depopulation will slow down or even if it will stop in the long run. At least, the majority of communities show only a slight downward trend in depopulation in recent years, a tendency that might not have occurred without the local development strategy. In this respect, the

non-economic factors have also positively influenced migration. The growing number of associations and interest groups dealing with traditions and cultural heritage, such as the association to support local museums, has improved the quality of life and has strengthened regional identity.

The Annaberger Land has taken first steps towards becoming an attractive rural tourism area and a region having vital niche markets, but there is more to do if economic growth is to be sustained or even expanded. For this purpose, the region must foster private initiatives by gaining entrepreneurial skills and efficiently using an innovative local governance structure in order to be able to exploit its endogenous potential, professionalise marketing and set up networks with adjacent regions. At this stage, it appears important to pursue efforts, capitalising on initial results, so as to sustain the development process in spite of certain difficulties or performances beneath the level of expectations. Understanding the process and possibly correcting certain measures is essential and, in the case of Annaberger Land, made possible by the participatory nature of local initiatives founded on true public-private partnerships.

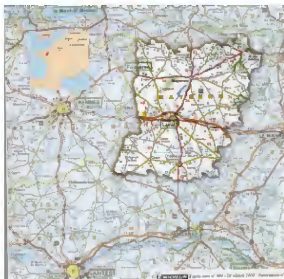
Divergence and convergence in local development patterns in northern Mayenne, France

The case

The *Département* of Mayenne is located in western France in the Northern part of the "Pays de la Loire" Region. It comprises a total population of 285 338 inhabitants in 1999. It can be roughly divided in two parts: the southern half with the Laval *Préfecture* (departmental capital of 50 000) represents more than two thirds of the population. Most economic and particularly industrial and service activities are based in and around Laval, south of the main national highway linking Le Mans to the East and Rennes to the West. In the other part north of Laval, the only main town is Mayenne (15 000), situated at a distance of 25 kilometres by a national road. The town of Mayenne is a *Sous-Préfecture*, and also the "capital" of the northern part of the *département*. With 90 821 inhabitants in 1999, this area of 2 176 sq. km, has a population density of 42 inhabitants per sq. km and comprises 102 municipalities. It is in the process of becoming a *Pays*, corresponding to the definition of the law voted in June 1999 (see Chapter 5). It comprises several territorial entities that correspond to natural boundaries, economic activities and the influence of a certain number of smaller towns. These entities, organised on the basis of different forms of municipal co-operation, have fared quite differently since before the Second World War and up till today.

The town of Mayenne and its adjacent area has experienced regular demographic expansion and economic development and diversification. Other parts of the small region have on the contrary not been able to stem migration nor to promote new activities at a sufficient level in a rural environment hard hit by the decrease of the number of farms and the consecutive reduction of agricultural employment. On the other hand the whole area is endowed with a well-preserved natural environment and gentle scenery as well as some notable architectural heritage that represent a potential for tourism development. The purpose of this analysis is to present these diverging trends, seeking to explain the phenomenon and the longer term negative consequences for territorial development in the area. The analysis will focus on the success factors in the case of Mayenne and also the obstacles to development in the other parts. It will than finally investigate the new process of setting up a “*Pays de Haute Mayenne*” that is now under way to overcome these differences, indicating the proposed strategies that are to be implemented.

Figure 7. The Department of Mayenne



Northern Mayenne characteristics

Defining northern Mayenne is not an easy task as the area is situated at a crossroads and that the inhabitants are at difficulty to clearly express their identity. It is located to the North of the "Pays de la Loire" Region but closer to Brittany to the West and Normandy to the North. Neither is it left out of the power of attraction of the greater Paris area (Mayenne is only two and a half hours away by car). It is closer to the cities of Rennes in Brittany and Le Mans (Sarthe) than it is to the regional capital of Nantes situated to the South. Thus located, the area is more perceived as one of transit and out-migration than one with stability and a strong specific identity. On the other hand, under certain conditions, this apparent handicap can also be an asset, particularly in terms of investment and trade.

The northern part of the *département* comprises four subparts, the first three of which are organised as *Communautés de communes* and the last as a *Syndicat mixte*³

- The "Communauté de communes du Pays de Mayenne";
- The "Communauté de communes du Bocage Mayennais";
- The "Communauté de communes d'Ernée";
- The "Syndicat mixte du Haut Maine et Pail".

These areas have evolved quite differently since 1936⁴. The Pays de Mayenne experienced relative demographic stability from 1936 to 1946 with only a very slight decline in population. From 1946 to 1962 population expanded slowly, with only a slight reduction between 1954 and 1962. From 1962 onward, the overall increase in population has been substantial and regular: from 21 385 that year to 27 805 in 1999. In parallel the three other areas have undergone a strong process of decline. In the Bocage Mayennais and the Haut Maine et Pail, this negative evolution has been recurring and particularly pronounced. In the first case the population dropped from 28 161 inhabitants to 20 243 between 1936 and 1999. In the second the corresponding figures are 31 605 and 23 502, but with a slight increase (the first in fifty years) between 1990 and 1999 (plus 83). In the Pays d'Ernée the reduction was slower, less regular and less spectacular but nonetheless tangible: from 22 013 in 1936, the population dropped to 19 271 in 1999. The overall result of these diverging trends for the whole area of the Pays de Haute Mayenne now being constituted is negative. The population of 103 047 in 1936 was reduced to 90 821 in 1999. Thus, in the initial year of reference, the whole area represented 41 per cent of the population of the *département* and in 1999

this share had dropped to 31.8 per cent. This is clearly illustrated by the following chart and figures.

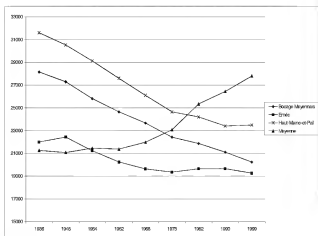
Table 44. Demographic trends in the Pays de Haute-Mayenne

Pays	1936	1946	1954	1962	1968	1975	1982	1990	1999
Bocage Mayennais	28 161	27 298	25 825	24 659	23 682	22 431	21 878	21 118	20 243
Ernie	22 013	22 446	21 238	20 253	19 647	19 361	19 655	19 662	19 271
Haute-Maine -et-Pail	31 605	30 540	29 141	27 603	26 116	24 662	24 211	23 429	23 502
Mayenne	21 268	21 081	21 472	21 385	21 987	23 085	25 356	26 454	27 805
Haute- Mayenne	103 047	101 365	97 676	93 900	91 432	89 539	91 100	90 663	90 821
Département Haute Mayenne/ département	251 348	256 317	251 522	250 030	252 762	261 789	271 784	278 037	285 338
	41.0 %	39.5 %	38.8 %	37.6 %	36.2 %	34.2 %	33.5 %	32.6 %	31.8 %

Source: INSEE - IROP

The differences between the Pays de Mayenne and the adjacent areas also appear in the age profiles of each. The Pays de Mayenne has a younger and more active population but this is not sufficient to counter the ageing of the population in the three other parts of the small region. Thus, in 1999, people aged 60 years or more are more numerous in 1999 than those up to 20, which is not the case for the whole *département* and was not the case for the area in 1990. The whole area represents 32 per cent of the population of the Mayenne *département* but inhabitants over 75 are 38 per cent in the northern part and those between 60 to 74 are 36 per cent. The overall segment over 60 years old has increased there by 27 per cent from 1982 to 1999, with 5188 extra inhabitants in that category. Conversely, the northern part of the *département* registers a strong decrease in the number of young people (minus 18%) that is significantly greater than that of all the *département* (minus 12%). Lastly the segment between 20 and 59 has diminished in the north of Mayenne whereas it has increased by 8 per cent in all of the *département*⁵.

Figure 8. Demographic trends in the Pays de Haute-Mayenne



Source: INSEE - RGP

Active population and unemployment figures underline the same type of dissimilarities, with negative trends and figures bringing the whole area down in spite of the very good performances of its single dynamic component, the Communauté de communes du Pays de Mayenne. Thus, between 1990 and 1999, the wider area experienced a negative trend in the variation of the active population (minus 0.5%) whereas the Pays de Mayenne saw its workforce increase by 6.7 per cent. Similarly, the unemployment rate is the lowest in the Pays de Mayenne (6.8%) but it attains 8.1 per cent in the Haut Maine et Pail. Looking at the industrial sector, the positive developments in the Pays de Mayenne are well illustrated by the figures available for the twenty-year period between 1959 and 1979. In the former, industrial employment offered 800 jobs in the Mayenne area whereas in 1979 the figure attained more than 3 000 (Macé, 1982) and 3 700 in 1998.

Table 45. Recent trends in active population (%) and unemployment rates, 1999.

Pays	Active Population, % changes 1959	Unemployment rate 1999
Bocage Mayennais	- 7.2	7.4
Ernée	- 1.9	7.1
Haut-Maine-et-Paill	- 1.8	8.1
Mayenne	+ 6.7	6.8
Haute-Mayenne	- 0.5	7.3

Source: INSEE - RGP.

Pays de Mayenne performances

As the area of the northern part of the *département* possessing the major small town exerting a nearly exclusive and direct influence on its immediate hinterland, the Pays de Mayenne (15 municipalities) had a strong asset on which it then built efficient development strategies. Facing rapid decline in agricultural activities and production, Mayenne sought to develop its industry in a diversified way through adequate support to local SMEs, without relying exclusively on external investment. Increasing industrial employment over 20 years by two thirds, as was accomplished from 1959 to 1979, thus compensating losses in agriculture, and then further strengthening this base, is the result of active policies to leverage local assets and to create new ones.

This has been achieved in spite of the disappearance of the textile industry from the town proper and the reduction of this activity in other locations, with just one remaining (in Fontaine-Daniel, the famous *Toiles de Mayenne*). On the other hand, clothing production developed, with only one factory at the beginning of the fifties and six in 1979 (three firms employing more than 100 people each). From 550 employees in 1973 the sector grew to 640 in 1980. Printing, a local speciality (the major firm, Jouve, is endogenous), grew from 300 employees in 1955 to more than double that figure at the end of the period. In 1973, the Town of Mayenne put at the disposal of the Moulinex household appliance firm an unused facility, with more than 700 employees working there six years later. Food processing industries, employing in 1955 only around thirty people in two small firms represented ten times more jobs twenty years later. Lastly pharmaceuticals came in with the firm Sobio (230 employees) that occupied a new building, vacant after the closure of a textile firm.

This successful diversification rested on important inward investment but also on numerous local initiatives. The four major employers, Jouve, Sobio, the Warein clothing firm and Moulinex depend on external decision centres and they represented around 50 per cent of industrial employment at the beginning of the eighties. On the other hand, local and regional initiative created many new companies but also developed existing firms in the areas of printing, clothing and food processing. Industrial expansion took place rapidly but regularly, without the stops and goes (alternating growth and relative stagnation) that often characterise local job markets in small towns. Fluctuations were amortised through diversification of activities. Thus, Moulinex started to hire employees in 1973 when the modernisation of printing firms (new processes) had temporarily reduced manpower needs in that sector and that Sobio had ceased to recruit new employees. The first great period of Moulinex expansion comes to an end in 1975 but the Rapido trailer firm develops and Jouve starts recruiting again⁶.

Twenty years later these developments have been consolidated. The industrial sector is the main employer in 1998 with around 3 700 people holding jobs, followed by services (1 500) and the administrative sector (2 500). Industry is dominated by six sectors. Printing and information processing is the main one in terms of number of jobs. Jouve is the second private employer (540 people), having successfully expanded and integrated ICT with software and CD-Rom products. The whole sector now employs more than 900 people in 10 different firms following the development of a cluster capitalising on local competencies. Moulinex level of employment remained relatively stable with the creation of an R&D centre, in spite of the difficulties of this world-wide firm (number one French exporter of small household appliances). The bankruptcy of the firm at the end of 2001 and its subsequent take-over by the SEB group have led to the closure of several industrial sites but Mayenne is one of those remaining in activity for the time being. Food processing represents today 526 jobs in six different firms such as Besnier (number one French firm in milk products) but also local ones like Voicler (third French producer of apple cider). Metal working and precision mechanics employs 700 people in four major firms including Rapido (trailers). The pharmaceutical sector has expanded following the purchase of Sobio, now Glaxo Smithkline (490 employees).

The only sector that has experienced difficulties is that of textiles and clothing, with only 350 jobs in four firms today (two hundred jobs lost over six years). These job losses were compensated by job creation in other industries and in services (500 new jobs in eight years) (Lesaint, 1998). Agriculture also pursued concentration with a great reduction in the number of farms. From 769 in 1986 their number has dropped to 447 in 1994 (minus 40 per year), at a

much higher rate than elsewhere in the *département* (minus 41.2% versus 25%). As a consequence of job losses in agriculture but also of the reduction of the small service and retail sector in many small municipalities, job creation in Mayenne proper has resulted in a high concentration in the town itself. Today it regroups more than 80 per cent of employment in the Pays de Mayenne. This means that many working people commute daily to their jobs by car. Car-pooling is not infrequent and more and more families have two cars since local public transportation does not adequately connect the small communes with Mayenne. To try and counter this tendency of job concentration in Mayenne at the expense of other towns, intercommunal industrial zones, financed by the Communauté de communes are being established in smaller localities.

Pays de Mayenne success factors

Successful job creation in the Pays de Mayenne rests on the combination of two factors: diversification of activities and a healthy local SME sector, part of which addresses national and international markets. Diversification offers flexibility when a given sector or company is facing difficulties: job losses such as those that occurred in the textile industry can be compensated by job creation in other fields. Also, temporary slow-downs in recruitment for certain firms (technological change, market slump) can occur when other sectors offer extra jobs. These sequences have been verified over the years in Mayenne. A dynamic local SME sector, offering a good basis for endogenous development, is also a key element of success.

In Mayenne, the number of firms with less than 20 employees progressed by 16.5 per cent over the last eight years and there are today 94 entities with more than 10 employees. Importantly, around 50 per cent of jobs are linked to local firms and decision centres. The entrepreneurs that have often founded these companies are particularly attached to their area and spare no effort to have the expansion of their firm serve overall local development. Production increases translate into development of local production capacities rather than creation of new entities outside of the area. On the supply side, many of the smallest SMEs are often suppliers to medium size local firms and have even been created in many cases as a direct result of their needs. These local links are also strong on a wider territorial scale. Many firms in Mayenne are themselves suppliers to bigger firms located in Laval.

The local job market was able to satisfy the recruitment needs of these firms thanks to adequate education and vocational training. In Mayenne there is an important *Lycée professionnel* offering a wide array of courses well geared to

the needs of local employers (printing, ICT, precision mechanics...). Specific training schemes are also organised under the aegis of the local labour office in co-operation with the private sector to facilitate in particular the requalification of agricultural workers or those leaving the textile industry. Although no specific details were provided to OECD, it was indicated that these were effective. The overall generally good level of qualification can also be explained by a strong tradition of dedication to work in that part of France that has perdured up to this day.

The business environment in Mayenne is characterised by the close co-operation between local government and the private sector to facilitate investment but also to encourage adoption of modern management techniques as well as keeping abreast of most recent technological developments. Networking is particularly developed. The Pays de Mayenne comprises an active "Economic Mission" housed by the municipality (www.mairie-mayenne.fr) that regularly meets business representatives so as to monitor trends on a three year horizon, thus facilitating evolution of policies. The four main responsibilities of the mission are the following:

- informing potential entrepreneurs (financing, aids, formalities, business incubation, industrial zones, local suppliers);
- studying new projects (search for adequate sites, detailed financing, local supply chain);
- support to the local Entrepreneur's Club (see below) for logistics, printing of documents etc.;
- follow-up of local development policies and measures (liaison with regional authorities, European funding and projects).

The Entrepreneur's Club⁷ created in 1992 brings together more than 75 partners from the private sector. The objectives of this club are to foster mutual knowledge and promote communication between the different members of the business community and to support and facilitate the installation of new firms. In particular, it pools information on lodging availabilities for new employees and also acts as a broker to organise common training schemes for member firms. It analyses supply needs so as to facilitate contracting with local SMEs. The association has also been active when necessary in helping to recruit workers laid off from certain firms in the textile sector for instance. The Entrepreneur's club organises an event every two months on different themes such as quality, management techniques, ICT developments etc. The Club also

expresses the views of the local business community on matters such as proposed road infrastructure.

An original initiative is that of the "Honour loan" by which selected new entrepreneurs wishing to create a small firm are awarded with a small interest-free loan without having to provide collateral. The Entrepreneur's Club secured with a local bank, to whom they offer the proper guarantee, the right to draw up to 150 000 FF annually for this purpose. Loans dispensed amount to around 20 000 FF on average (50 000 FF maximum) and are reimbursed in two to four years on the condition that a certain number of jobs be created. Since the inception of the system a few years ago there has been no default among SMEs having contracted such a loan.

The last series of factors having positively influenced local economic development relate to the good quality of schooling and services as well as that of housing and cultural life, that have created an attractive environment for the local population as well as for newcomers. This last category comprises a certain number of managers who are sent to the area by their companies, but in spite of these efforts some prefer to live outside in bigger towns (Laval and even Le Mans) and commute daily. Social lodging infrastructure is adequate (1 200 low rental apartments) and there are sufficient retail stores and services located in the town centre and shopping malls in the outskirts. A local association, that has since extended its activities to all of the wider area of Haute Mayenne, permitted saving the only in town cinema. There is also a music school and an active network of public libraries operating in the small region with its main base in Mayenne.

Contrasted development in other areas

Economic development in the different parts of northern Mayenne has been quite contrasted. The main characteristic, as has been analysed above, is the good performance of the Pays de Mayenne compared with the adjacent areas. Nonetheless, this does not mean that expansion and development occurred only in and around the Town of Mayenne and that stagnation or decline was experienced elsewhere. Contrasts exist from that point of view between the different other parts, some performing better than others, but even in the latter case the long term sustainability of certain positive developments remains uncertain and requires a broader territorial outlook. Over the period 1994-1999, the situation of the job market has evolved as follows.⁸

In the Pays de Mayenne, printing and ICT, food processing and pharmaceuticals in particular have ensured a 7.2 per cent increase in the number

of jobs. In the Haut Maine et Pail, overall job creation has been spectacular (20.9%) but more than two thirds of this excellent result originates in the *Canton* of Villaines La Juhel with recruitment concentrated mostly over one year (1997). Firms present in Villaines La Juhel are Moulinex, an office supply company (Lyreco) and MPO, maker of CD audio disks, CD-ROMs and laser disks. In the Pays d'Ernée, 75 jobs were created over the period but the situation is also quite contrasted, with significant job losses in the *Canton* of Ernée itself, because of the difficulties of the textile, clothing and shoe-making industries. In the Bocage Mayennais, 119 jobs were lost over the period mainly because of the closure of an important textile factory. Besides the Pays de Mayenne itself, the three other parts of northern Mayenne thus offer quite different results in terms of economic development, with striking contrasts not only between these small territories but also within each. One of the main reasons behind this situation appears to be that most other areas of northern Mayenne do not benefit from the same level of basic infrastructure as the central part. This is true whether in terms of roads, natural gas adduction and even more so for future broadband telecommunications, considering present plans.

With such contrasting results, northern Mayenne has not registered over the above-mentioned period the same performances as the rest of the *département*. The number of jobs increased by 14.6 per cent elsewhere but only by 7.3 per cent in the former. Also, the rate of activity of the 15 to 59 year segment⁹ dropped from 92 per cent in 1990 to 89 per cent in 1999. Even in the case of the Pays de Mayenne, an important number of young people leave the area very early to seek a job elsewhere (in Rennes, Angers and Paris) (Lesaint, 1998). If such a finding exists for the most performing part of northern Mayenne, this is also certainly the case for the other areas. The power of attraction of the Town of Mayenne itself on its hinterland has been noted but many young people in more peripheral areas can also very well leave, like their Mayenne counterparts, for other regions and cities or towns where training and better qualified job opportunities are more readily available. Such patterns correspond to migration in which local urban centres (small and even medium size towns) attract young people from the area only on a temporary basis, before their departure for more distant and more important towns and cities¹⁰. Such a trend can lead on the longer run to a loss of substance, in spite of some remarkable results in certain parts of the territory that would tend to dissimulate this reality. A wider territorial perspective, better taking into account overall structural problems thus appears necessary.

The Pays de Haute Mayenne project

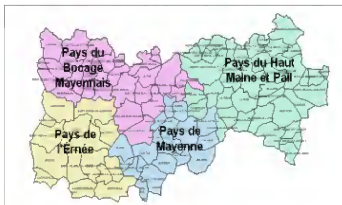
The evolution of the past years led public officials, associations and the business community to realise that guidelines for economic and social development now had to be defined jointly by the different territorial components of northern Mayenne within a wider framework. The opportunity for such an enlargement and the definition of more ambitious goals was provided by the new law on sustainable territorial planning voted in 1999 (see Chapter 6) and by the European Leader+ project. Leader seeks to promote local development projects based on a bottom-up approach implying a close co-operation between the public sector and civil society. After a first Leader project, limited to certain parts of northern Mayenne, it was decided to enlarge the geographical area to answer the Leader+ call for tender. The Local Action Group¹¹ was thus extended to the Haut Maine et Pail in June 2000. In parallel, municipalities, the private sector and local associations expressed the wish to create a *Pays* under the terms of the new law. The managing committees of the three *Communautés de Communes* and of the *Syndicat Mixte* (Haut Maine et Pail) approved the proposal and obtained, with the approval of the Region, financing to go ahead with the preliminary studies. The project of the *Pays de Haute Mayenne* (www.hautemayenne.asso.fr) was thus officially launched at the end of the year 2000.

The new enlarged association first selected a consulting firm to facilitate the mobilisation of all local development actors and analyse local potential. The objective is to create a common vision in order to elaborate a development program on the basis of a specific strategy. In February 2001, the geographical area was recognised as a *Périmètre d'Etude* (Study Perimeter)¹². Following the law, three phases are then carried on. The first one is that of diagnosis during which intense investigations and consultations take place on various themes (agriculture, SMEs, job market, infrastructure, services, environment, tourism etc.). At the end of this phase major findings and first analysis are presented to "qualification groups" (selected people with specific expertise in a given area) so as to validate facts and initial conclusions while suggesting priorities. The presentation of these results offers the opportunity of a public debate in which all citizens are invited to participate.

The territorial diagnosis adopted at the end of this phase is then followed by one during which proposed strategic guidelines are elaborated by different working groups and a Development Council open to the business community and to civil society is created. A sustainable development charter is also prepared during this phase. It is followed by a final organisational phase during which the precise missions of the Development Council are defined, the

charter adopted, the legal structure decided and final approval is given by regional and national authorities. The *Pays de Haute Mayenne* wound up most of the first phase at the end of the year 2001. The second phase, now underway, has seen the designation of the Development Council and the preparation of the development charter that will be debated by the Communautés de communes councils in February 2002, before approval by regional and national authorities. An action plan 2003-2006 will finalise the process.

Figure 9. Pays de Haute Mayenne



Source: www.hautemayenne.asso.fr

Leader+ is organised with the perspective of obtaining European funding for a period closing in 2006. Securing such funds would seriously enhance the development prospects of the *Pays* by access to supplementary funding and organisational expertise. It would also offer the possibility of monitoring progress in comparison with local development projects in France and other EU countries having adopted a similar approach. Amongst proposal criteria appear in particular the requirement of true public-private partnerships and horizontal cross-sector approaches. This implies co-decision making, replicability, and active networking. The Mayenne project is one of eight proposed in the Région des Pays de la Loire. It was pre-selected at the end of

2001 and final approval is expected in the following months. The theme chosen by the Pays de Haute Mayenne for this project concerns mobilisation of natural and cultural resources. It is to be organised around four major guidelines, each comprising different areas of application:

- Development of companies and services based on sustainable use of local resources:
 - * Better integration of agriculture into the environment
 - * Training and seminars in environmental fields
 - * Landscape enhancement
 - * Preservation of hydraulic resources
 - * Enhancement of public and private gardens
 - * Renewable energy development
- Support to cultural activities and enlarged access:
 - * Reduction of territorial and social inequalities in access to culture
 - * Reinforcement of cultural activities
 - * Targeting of children and young people
 - * Discovery of cultural heritage
- Support to private and public actors operating in these fields as well as in tourism and leisure
 - * Specific aid to associations in this area
 - * Pilot project in sustainable development
 - * Creation of a territorial resource centre
 - * Technical assistance and evaluation of projects
- Dissemination of experiences and results:
 - * Creation of a data base of local resources
 - * Communication and public relations.

The emphasis on natural and cultural resources corresponds in effect to the existence of a well preserved and pleasant natural environment as well as to a notable architectural heritage, the further enhancement of which would increase the attractiveness of the area for inhabitants and tourists alike. Close to 25 per cent of towns in the Pays de Haute Mayenne belong to the *Parc Naturel Normandie Maine*, which is located astride 4 *départements* and 2 regions. The

Mayenne River, which crosses the area and the town, is accessible to pleasure craft up to Mayenne itself and has permitted the creation of leisure activities (water sports, fishing). Many natural trails cross a relatively diverse countryside mostly characterised by gently sloping hills. Tourism heritage sites comprise, amongst others, the basilica of Pontmain (300 000 pilgrims a year), the oldest Carolingian castle in France situated in Mayenne, now being restored and the Gallo-Roman site of Jublains (around 40 000 visitors per year). The development of this potential is now only ensured in a few areas with sufficient lodging infrastructure. The area of Lassay les Châteaux (castle) in the Haut Maine et Pail and that of the Mont des Avaloirs, located in the above-mentioned natural park, recognised by the European Union as a remarkable natural environment (Natura 2000), offer adequate accommodation as well as Mayenne, Moulay (oppidum) and Jublains. In other parts of Haute Mayenne, such as the Bocage Mayennais, lodging infrastructure is generally insufficient to develop the local tourism potential. This means that measures to sustain tourism will have to be taken, Leader+ offering such an opportunity.

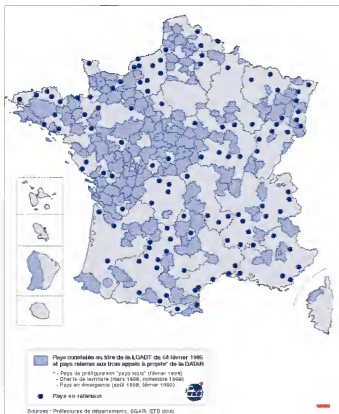
More generally, continued support to SMEs, which employ more than half of the workforce in the Pays de Haute Mayenne, could also benefit the tourism sector. Endogenous SME development (services, industry) is all the more necessary that the agricultural sector, which still employed 30 per cent of salaried people in most of the area in 1999 (19% in the Pays de Mayenne) is unlikely to create new jobs in the future. Without waiting for the constitution of the Pays de Haute Mayenne nor the results of Leader+, the Mayenne Entrepreneurs Club¹¹ thus took an original initiative that led to the creation of an "Employers Grouping" (*Groupeement d'Employeurs*) in October 2000. An employers grouping is a non profit association that employs salaried people and puts them at the disposal of member firms, mostly SMEs. The basis of this is to satisfy occasional manpower needs (cost is up to 30% lower than in the interim sector) shared by several companies. First created in 1985 in the agricultural sector, there are now more than 3 000 in France. Employers groupings are still predominantly based in this sector (more than 90%) but the 300 others represent already half of the 10 000 jobs created by all of these groupings. Manpower shared is often of a high level of qualification and in sectors that individual SMEs could not afford nor probably recruit otherwise in the area. People salaried by the grouping have a full time permanent job, just as other staff. These can integrate a particular firm where they are working if there is such a request. This is often the case as these employees are tested by the company during the time of their employment by the grouping and can also benefit from specific training if necessary. In October 2001, GENOME (*Groupeement d'Employeurs de Nord Mayenne*) had 18 member firms and permanently employed 16 people for these, the objective being the creation of 50 full time jobs at the end of 2003.

Such an initiative underlines the human networking capacities in the area that are now recognised as essential for the success of local development with a view to sustainability. On the other hand, now that overall needs of the territory can be formulated collectively and that a development strategy is being elaborated, adequate attention will necessarily be devoted to other areas of concern. One of these is basic infrastructure, particularly roads. The specific success factors of the Pays de Mayenne itself have been presented at the beginning of this study. One of these is the good road infrastructure linking the Town of Mayenne with the departmental capital of Laval but also to other major towns and cities situated in surrounding areas. This infrastructure is important for inhabitants and firms alike (supplies, transportation of finished products). Most of the rest of northern Mayenne does not benefit from such good communications, which means that many parts still remain relatively isolated in terms of access to services or jobs and are not sufficiently attractive for potential investors. This could be aggravated if a new high-speed highway were to be decided north of the area, in Normandy. Public transportation also reflects this with many peripheral areas under serviced: bus transportation subsidised by the *département* does not exist for all communes and transportation to Mayenne and Laval is only ensured certain weekdays. A rural transport service operating upon demand has been introduced in certain parts but this has only partially solved the problem as it operates only three half days a week and is limited to small local area transportation.

Conclusions

The diverging evolution of the different parts of northern Mayenne illustrate the importance of defining a proper level of local territorial development and organising necessary co-ordination. The important role of the small urban centre, with its job opportunities, services and amenities can directly benefit its vicinity. It should also extend to a wider area without hindering development prospects in other parts characterised by lesser population and fewer job opportunities. In a first stage Mayenne grew in particular by recruiting manpower from areas where jobs were being lost, especially in agriculture. These contributed to the prosperity of Mayenne while the town helped in alleviating the situation in these local job markets. A development pattern based on such complementarities presided over the evolution of the area for close to forty years but local officials and the business community alike became aware of the fact that such a development model was necessarily subject to limits. Local recruitment possibilities slowed down as

Figure 10. Existing and Planned Pays in France



Source: From ETD: Entreprises, Territoires et Développement.

employment in certain sectors tended to stabilise (agriculture), while gradual reduction and ageing of the population lessened the attractiveness of these areas for small SMEs (retail, maintenance) and potential investors alike. The realisation of these diverging trends and of the fact that on the longer term Mayenne would only exert its influence on a slowly declining area, instead of also benefiting from co-ordinated efforts to promote balanced territorial development, certainly contributed to recent changes in outlook. The creation of a *Pays*, composed of four hitherto separate entities, will offer the proper framework for this. It should contribute to the emergence of a certain number of bottom up initiatives based on recognised local entrepreneurial capability that could be instrumental in regenerating the whole area. On the other hand, if this convergence is to occur, regional and national support, particularly in terms of road and transportation infrastructure, will be required.

NOTES

1. General manager: Herr Feller, Verein zur Entwicklung der Region Annaberger Land, Hauptstr. 91 09456 Mildenau/Arnsfeld - Phone: +49-37343-88644, Fax: +49-37343-88645, E-mail: annabergerland@tira.de.
2. IG Pressnitztalbahn, Am Bahnhof 78, 09477 Johstadt, Phone: +49-37343-80807, Fax: +49-37343-80809, E-mail: verein@pressnitztalbahn.de.
3. The *Communauté de communes* comprises compulsory co-operation in the areas of spatial planning, economic development and the environment. The co-operating municipalities can add other areas. *Syndicats mixtes* are decided between communes for co-operation in the areas of their choice, usually basic infrastructure. These can also be created between *Communautés de communes*.
4. Although the different municipal co-operation entities have only been set up in the nineties, available data has been historically aggregated for the same perimeters.
5. Demographic data from "Situation socio-démographique du Pays de la Haute Mayenne, Centre d'Etude et d'Action Sociale de la Mayenne (CEAS), February 2001.
6. See preceding reference.
7. Club d'Entreprises du Pays de Mayenne, 10 rue de Verdun, B.P. 111, 53103 Mayenne Cedex, tel: 33-2-43-30-21-24, Fax: 33-2-43-30-21-10.
8. "Projet de diagnostic du territoire", Association pour un Pays de Haute Mayenne, KPMG; September 2001.
9. Based on the active population rate. From the precedingly mentioned report.
10. See above-mentioned publication by Georges Macé.
11. The creation of Local Action Groups is part of the process to formulate a Leader proposal.
12. The law makes it compulsory to first define this provisional perimeter before final approval at a later stage. This is to ensure that the chosen perimeter rests on sound economic analysis and development perspectives, independent in particular from local and temporary political considerations.

13. The Club formally decided to extend membership and all of its activities to the Haute Mayenne in November 2001.

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Regional sites	
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Union of Towns and Communities of the Czech Republic	www.smoocr.cz
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